

April 1961 75c

DUN'S REVIEW

AND MODERN INDUSTRY

■ There's Money in Fun

■ South America: Risk & Reward

■ Myth of the Psychologist

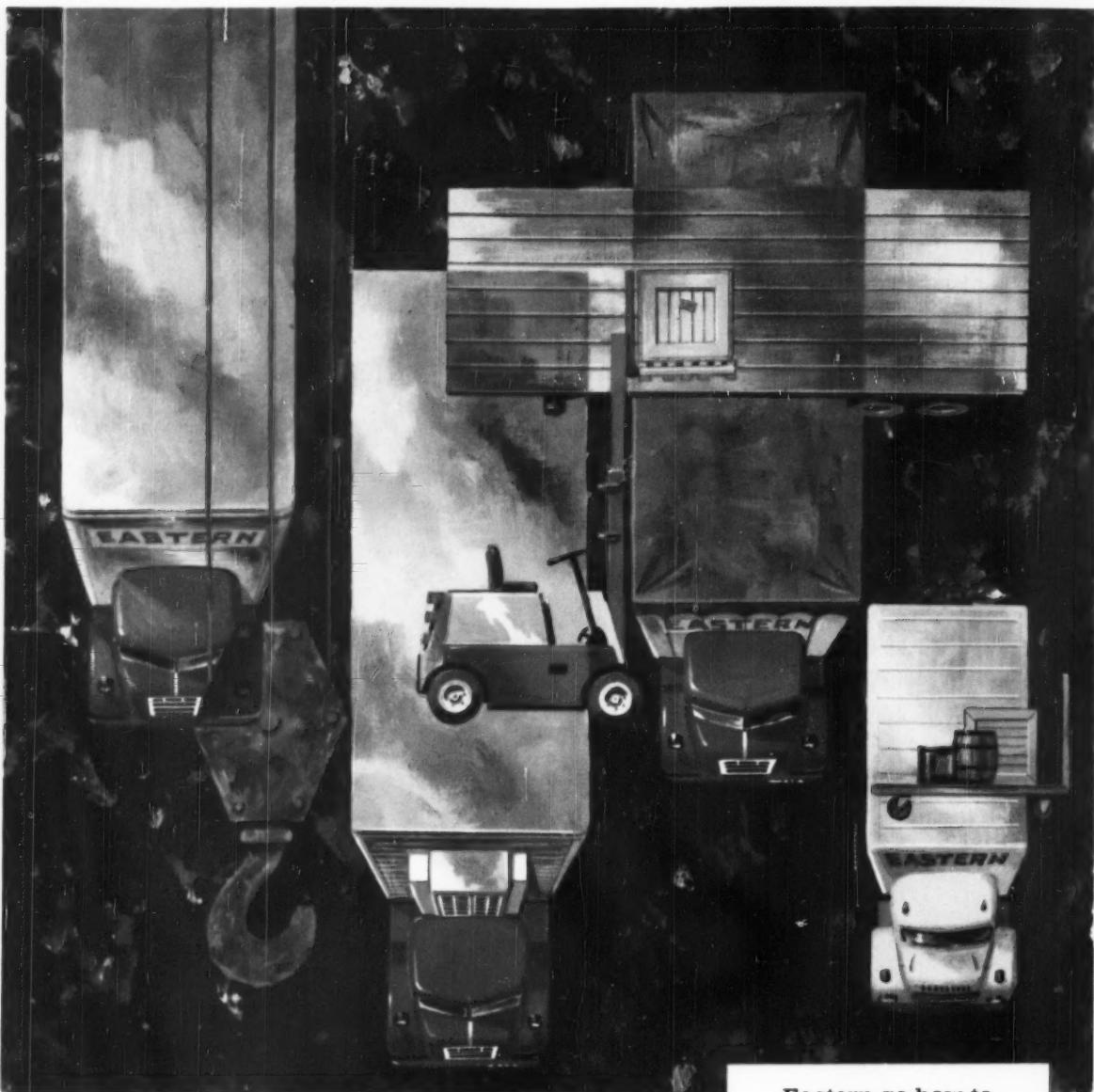
1961
APRIL

Business Pickup -
how soon?
how strong?

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DUN'S REVIEW

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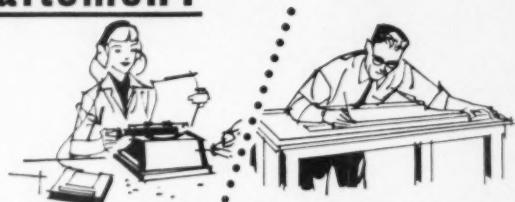
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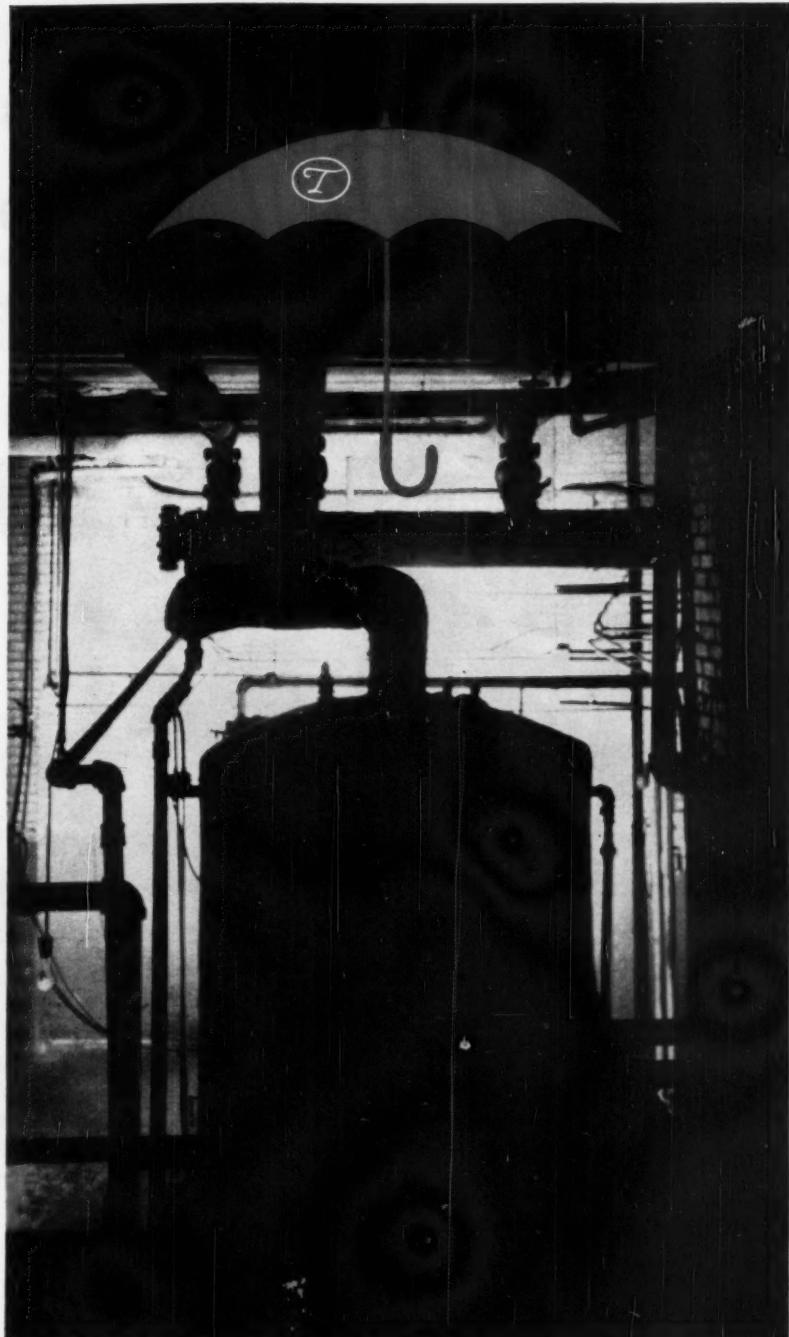
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DUN'S REVIEW and Modern Industry

The Trend of BUSINESS

PRODUCTION: *A pickup—real but not spectacular—seen by July*

UNEMPLOYMENT: *Not much relief in sight for the rest of the year*

SALES: *Retailers look for moderate gains over 1960*

FAILURES: *February dollar liabilities highest in six months*

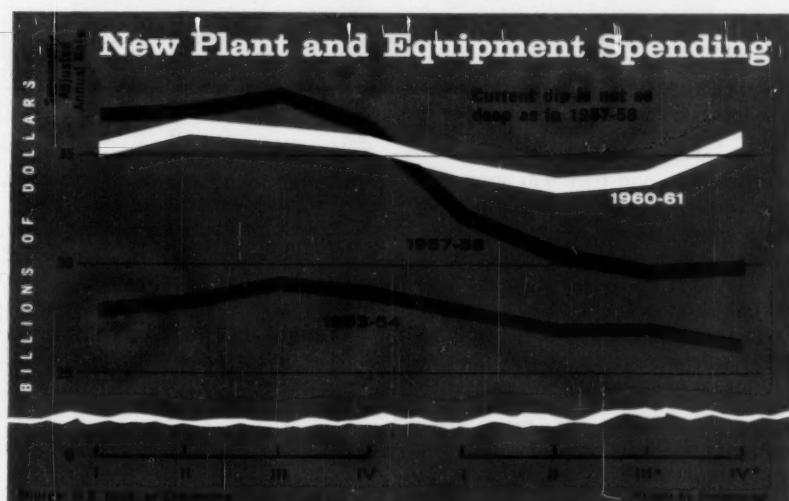
A FEW BRIGHT RAYS have begun to appear in an otherwise cloudy business picture. Consumer spending, it now appears, is gaining some strength, inventory liquidation is showing signs of abating, and contracts for future construction are at extremely high levels. Other props to business activity are in sight: increased Government spending and, if current plans are carried out, a modest second half rise in business spending on new plant and equipment.

Altogether, it's quite possible that the recession is now at or near its low. There's little chance of a quick turnaround, but the recovery will be gaining some momentum by late summer. Yet it will be late in the year or early in 1962 before most of the pre-recession peaks can be matched. Throughout 1961 and well into 1962, high levels of unemployment will plague the economy.

Industrial output will start edging up gradually before mid-year.

The Federal Reserve Board's Index of Industrial Production, a good broad measure of business activity, is probably already at the bottom of its latest decline, which was appreciably less severe than the 1957-58 drop. Bolstered by moderate output increases in steel, autos, major appliances, apparel, food products, and utilities, the Index will soon begin to edge up. As the year goes on, output in these industries will continue to pick up steam, and other gains will occur in machinery, paper, lumber, textiles, and coal.

The recent increase in new orders for steel hasn't been too impressive, but it at least gives evidence that the steel industry has finally turned the corner. So far, the improvement has been achieved without help from the



EXPECTING AN EARLY PICKUP in the economy, business men are planning somewhat bigger second-half expenditures for new plant and equipment.

auto industry, and steel makers aren't looking for any flood of new orders from Detroit in the weeks just ahead. The boost has come mostly from construction contractors, can makers, oil companies, farm machinery manufacturers, and miscellaneous users.

However, it won't be too long before auto and appliance makers' steel stocks get so low that they will be obliged to step up their orders to some extent—depending, of course, on sales.

As steel orders mount, the mills will cautiously step up their output, but they are unlikely to be running over 60 per cent of capacity before late summer at the earliest.

Modest gains in auto output are probable in the months ahead.

Recent reports of a pickup in dealers' sales have encouraged auto makers to step up output schedules in the

coming months. To bring this year's auto production up to the 1960 level, however, would take a bigger car-buying spree than anyone is really expecting.

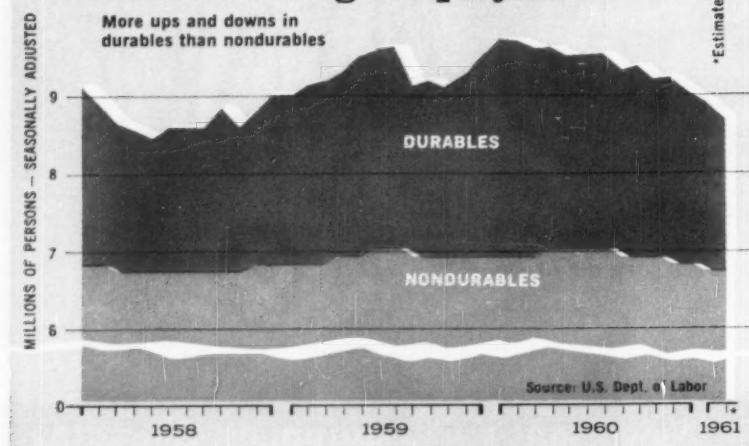
Inventories of unsold autos are still painfully high, and even if Detroit decides to take out some strike insurance this summer by speeding up production, 1961 will probably wind up around 10 per cent below last year.

Truck sales have been stronger than cars lately—a possible clue to growing optimism among business men.

A build-up of new orders for manufacturers' durables will help to power the rise in industrial output.

As manufacturers' new orders for metals, construction equipment, farm implements, machinery, and major appliances slowly climb ahead of sales, order backlogs will grow. As a

Manufacturing Employment



THE WORKFORCE in durable goods industries will pick up faster than employment in non-durables once the business recovery gets under way.

result, these industries will spur production—and will eventually stop slashing inventories. By late summer, some of them may even be adding to their stocks. There will be no rush to pile up inventories, though, as long as they know they can get prompt deliveries from suppliers who are operating at levels well below capacity.

Employment levels will edge up along with the rise in industrial output, but unemployment will remain high.

Increased industrial activity will put many workers, especially in durable goods industries, back on their jobs. But it will not cut deeply and rapidly into unemployment, since manufacturers won't abandon their efforts to step up output per manhour and stretch the working hours of their current workforce. Though the unemployment problem will get less acute, it won't go away. The reason is simple: During the rest of this year, overall economic recovery will not be strong enough to absorb the new additions to the labor force. At no time this year will the unemployment rate dip to the 4 per cent level that many economists regard as "satisfactory."

This employment - unemployment situation will hold down gains in personal income, which in turn will act as a damper on consumer spending. To some extent, however, Government aid may help to hold up personal income.

Gains at retail will be moderate in the months ahead.

Although this year's earlier Easter

has somewhat cast a shadow on the retail picture, the coming months will probably bring gains over last year. These increases will be somewhat curbed by high unemployment and the aftertaste of recession, which will make some consumers reluctant to contract much instalment debt. And this effect will be felt especially in sales of big-ticket appliances, furniture, and new and used passenger cars.

Volume in appliances and furniture will soon start matching 1960 levels, but no appreciable gains are likely until late in the year. Sales of household goods, however, held up

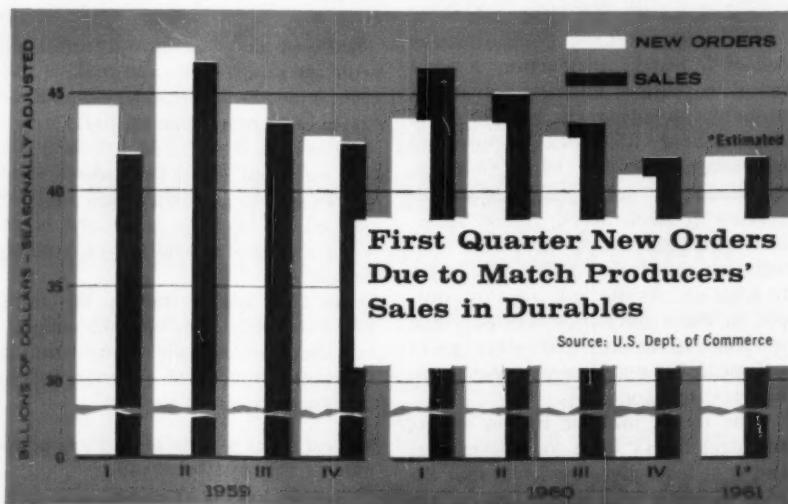
better than usual during this year's Easter selling season—a reflection, perhaps, of some pent-up demand from the winter months, when bad weather kept many people out of the stores.

After the brief downturn that recently interrupted a two-year rise, consumer instalment credit outstanding will start upwards again in the next month or so. At first, increases will be fractional, but a lot depends on new car sales and whether consumers decide to repay outstanding debts before taking on new ones.

With their eyes on the bright outlook for 1962, business men currently plan to increase their spending on new plant and equipment in the second half of this year.

Interviewed in late January and February, business men indicated that they expected to step up their new plant and equipment spending somewhat during the last six months of 1961. This was the finding of a recent survey conducted jointly by the U.S. Department of Commerce and the Securities and Exchange Commission. The low point of the current dip in these expenditures would then occur in the second quarter, at a level about 7 per cent below the pre-recession peak of the second quarter of 1960. At the moment, it appears that the current downturn in these expenditures will be only about one third as great as the 1957-58 decline.

Another reason behind the plans for stepped-up plant and equipment



INCREASED NEW BUSINESS from the metals, construction equipment and farm implement industries will strengthen first-quarter new orders for durables.



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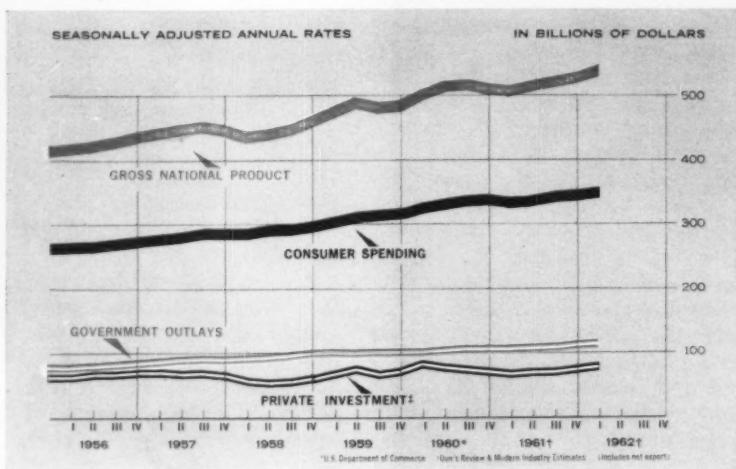
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POSITION _____
COMPANY _____
ADDRESS _____
CITY & STATE _____
NUMBER OF CARS OPERATED _____

Looking Four Quarters Ahead

Quarters	Consumer spending	Government outlays	Private investment*	Gross national product
1960	II 329.0	98.6	77.4	505.0
	III 328.3	100.7	74.6	503.5
	IV 330.8	102.1	70.6	503.5
1961†	I 329.5	103.8	67.7	501.0
	II 334.3	105.4	68.1	508.0
	III 338.9	107.0	72.1	518.0
	IV 344.2	108.8	75.5	528.5
1962†	I 347.1	110.8	78.1	536.0

†DUN'S REVIEW & MODERN INDUSTRY estimates

*Includes net exports



Figures through the third quarter of 1960 are seasonally adjusted annual rates in billions of dollars, as reported by the National Income Division, Department of Commerce. Figures for the fourth quarter of 1960 and later are estimates prepared by Robert J. Landry of the Business Economics Department of DUN & BRADSTREET, INC.

spending later this year may be that business men are expecting the recovery to bring slight gains in profits over the first and second quarters.

Although the pace of industrial construction will lag in the months just ahead, it will pick up later with higher spending for plant and equipment.

Over-all construction totals will be nudged slightly higher in the coming months by increases in outlays for commercial buildings, as well as marked gains in public spending on schools, highways, dams, and other projects. It is in this sector that higher Government spending will give the greatest boost to the economy.

Although new housing starts are apt to start edging higher soon, increases will be modest. Despite easier mortgage terms and other Govern-

ment measures to bolster housing starts, consumers may hesitate to go into debt for a new house, as for cars and household goods. By now, too, much of the basic postwar demand for housing seems to be absorbed.

Comparatively sluggish business during most of 1961 will mean only fractional increases in consumer prices. By the end of the year, the Consumer Price Index will show an increase of only about 1 per cent from the end of 1960. Most of this rise will be due to services.

END

This report was prepared in the Business Economics Department, DUN & BRADSTREET, INC., by John W. Riday.

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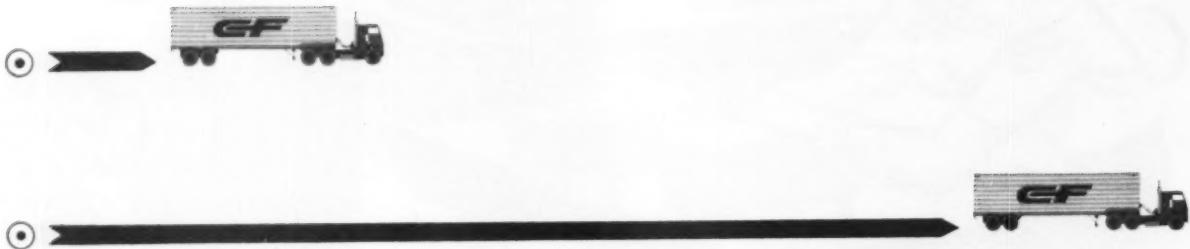
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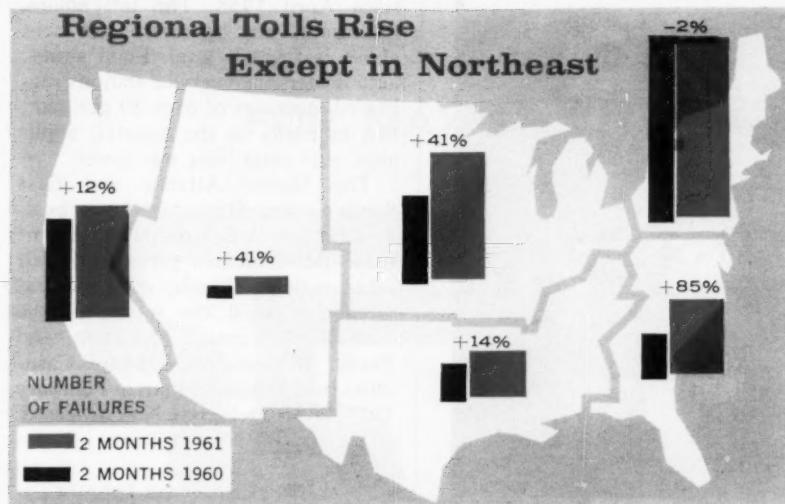
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Business Failures

February mortality up again
Iron, steel products' toll drops



BUSINESS FAILURES edged 3 per cent higher in February to 1,449. Although this was below the usual seasonal rise for the month, casualties continued 19 per cent above their year-ago level. In fact, they exceeded the toll for any month since April 1958.

Concerns were failing at an annual rate of 64 per 10,000 enterprises listed in the *DUN & BRADSTREET Reference Book*. Rising from 61 in January, this rate was the most severe since last September, when the toll stood at 65 per 10,000 businesses.

Dollar liabilities reached \$88.1 million, the largest volume in six months and 8 per cent above the January level. Most of the increase centered among smaller concerns—casualties under \$5,000 were the most numerous since the beginning of 1959. Failures of all sizes, however, ran above last year's level. The steepest rise continued to be among concerns with liabilities over \$100,000.

Manufacturing, wholesaling and service casualties showed little change during February. In fact, the overall toll among manufacturers has held at approximately the same level for five months now, although there have been mild fluctuations in individual

industries. There was a noticeable drop from January in casualties of iron and steel products concerns.

New highs were set in construction for general builders. Subcontractors were even harder hit—they suffered twice as sharp a rise from February 1960 as the builders, and the toll

continued on page 12

THE FAILURE RECORD

	Feb. 1961	Jan. 1961	Feb. 1960	% Chg.†
DUN'S FAILURE INDEX*				
Unadjusted.....	73.8	62.9	58.8	+26
Adjusted, seasonally.....	64.2	61.1	50.7	+27
NUMBER OF FAILURES..	1449	1404	1214	+19
NUMBER BY SIZE OF DEBT				
Under \$5,000.....	170	137	136	+25
\$5,000—\$25,000.....	629	584	597	+5
\$25,000—\$100,000.....	475	520	358	+33
Over \$100,000.....	175	163	123	+42
NUMBER BY INDUSTRY GROUPS				
Manufacturing.....	229	228	196	+17
Wholesale trade.....	149	151	111	+34
Retail trade.....	693	685	609	+14
Construction.....	262	219	195	+34
Commercial service..	116	121	103	+13
LIABILITIES (in thousands)				
CURRENT.....	\$88083	\$81520	\$60945	+45
TOTAL.....	88761	81834	61661	+44

*Apparent annual failures per 10,000 enterprises listed in the *DUN & BRADSTREET Reference Book*.

†Per cent change, February 1961 from February 1960.

In this record, a "failure" occurs when a concern is involved in a court proceeding or in a voluntary action likely to end in a loss to creditors. "Current liabilities" here include obligations held by banks, officers, affiliated and supply companies, or the governments; they do not include long-term publicly held obligations.

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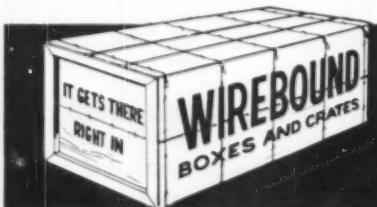
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222 W. Adams Street, Room 1457
Chicago 6, Illinois

among electrical contractors more than doubled. Like construction, wholesale trade mortality ran one-third heavier than last year. Considerably more dealers in electrical goods, paper products, and jewelry failed than in February a year ago.

Among retailers, failures edged up slightly to reach their heaviest volume since April 1958. The toll among restaurants ran some 30 per cent above last year's level. Food stores, auto dealers, and service stations registered increases of over 20 per cent. But mortality in the apparel, appliance, and drug lines was lower.

The Middle Atlantic and East South Central States had fewer business failures in February than in January. But increases prevailed in all other regions. Illinois, Arizona, and Oregon boosted the totals for the East North Central, Mountain, and Pacific Regions respectively. Casualties bulked heavier than in February 1960 in all areas but New England.

FAILURES BY DIVISION OF INDUSTRY

	Cumulative		Liabilities	
	total	(Two Months)	1961	1960
MINING, MANUFACTURING,...	457	406	49.3	37.9
Mining—coal, oil, misc. .	16	16	2.4	3.5
Food and kindred products	27	34	5.1	2.5
Textile products, apparel	79	68	7.7	6.5
Lumber, lumber products	70	68	4.8	3.1
Paper, printing, publishing	38	26	2.5	1.4
Chemicals, allied products	15	14	.7	1.0
Leather, leather products	10	15	.9	1.5
Stone, clay, glass products	9	5	.4	1.0
Iron, steel, products	35	33	3.1	6.7
Machinery	48	38	4.2	4.0
Transportation equipment	25	17	5.3	1.0
Miscellaneous	85	72	12.2	5.7
WHOLESALE TRADE	300	209	23.8	15.7
Food and farm products..	61	59	4.2	7.0
Apparel	8	3	.5	.1
Dry goods	2	8	.3	.2
Lumber, bldg. mats., hdwre	34	28	4.3	1.1
Chemicals and drugs	5	4	.1	.1
Motor vehicles, equipment	20	16	1.1	.4
Miscellaneous	170	91	13.4	6.8
RETAIL TRADE	1378	1196	59.3	32.6
Food and liquor	185	141	7.2	3.7
General merchandise	47	40	5.0	1.5
Apparel and accessories . .	176	184	11.9	4.4
Furniture, furnishings . . .	179	182	7.2	6.0
Lumber, bldg. mats., hdwre	94	67	3.2	2.3
Automotive group	244	193	10.2	5.1
Eating, drinking places . .	253	216	8.7	5.5
Drug stores	39	29	1.2	.7
Miscellaneous	161	144	4.8	3.4
CONSTRUCTION	481	388	26.2	22.8
General bldg. contractors .	179	153	9.5	10.4
Building subcontractors .	271	208	14.1	10.7
Other contractors	31	27	2.5	1.6
COMMERCIAL SERVICE	237	196	11.1	5.6
TOTAL UNITED STATES	2853	2395	169.6	114.6

Liabilities are rounded to the nearest million; they do not necessarily add up to totals.

This report was prepared in the Business Economics Department by Rowena Wyant.

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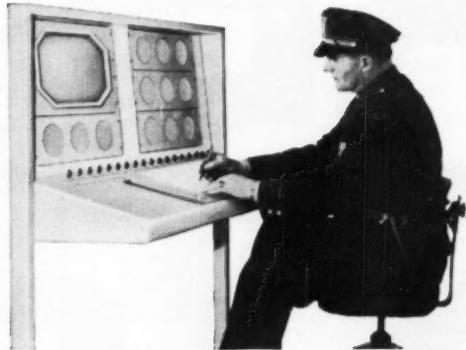
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WASHINGTON DESK

President Kennedy's legislative program is about to be put to the test.

The next few months will be critical. The honeymoon is over. The new Congress has completed its shakedown period, and now it is ready to act.

The Easter recess has given the lawmakers an anxiously awaited chance to take soundings back home. They have been testing reaction to the young President and to his program. That reaction is easily summed up. The voters like the way Kennedy is running the country. But they are setting up no loud clamor for enactment of his legislative program. They feel no urgent need for a broad attack on economic and social problems. In short, **Kennedy hasn't set the prairies on fire.**

The returning lawmakers are mirroring their constituents' mood. The consensus is that Kennedy is building a large reservoir of popularity and good-will, but that he hasn't begun to exploit it. He may be able to arouse the country, and his stepped-up use of television may turn the trick. The lawmakers are going to be watching closely, for they aren't anxious to buck a popular President. But, at the moment, they're as relaxed as their constituents seem to be.

• • •

Labor Secretary Arthur Goldberg is unhappy over suggestions that the Administration will be meddling excessively in labor problems, and he is taking pains to convince unions, management, and the public that it will not. He says he will take a hand only if there's been a major disruption, as there was in the N.Y. tugboat strike and the flight engineers' walkout, and only if the regular mediation agencies have exhausted their remedies.

What's more, Goldberg promises that neither party to a dispute will be "dragooned" into a settlement. That suggests that the unions may be making a mistake if they decide that they're sure to win big by holding out until the Administration is forced to take a hand.

The doubts about the role that the Administration plans to play in labor disputes arose originally because of the way that Goldberg jumped into the tugboat and airlines strikes. **He acted with Kennedy's complete backing**, and the interventions awakened disturbing memories of the White House strike settlements that became normal occurrences during the Truman Administration. Then, the unions found that they could win bigger settlements by holding out until the White House was forced to intervene than by pressing ahead with collective bargaining. The unhappy consequence: unnecessarily prolonged labor disputes and inflationary wage boosts.

• • •

Sentiment within the Administration is crystallizing against using an across-the-board, temporary tax cut this month to stimulate business activity. No final decision has been reached, and none will be until more economic evidence becomes available. But Kennedy is reluctant to add to the budget deficit that already is in prospect for fiscal 1962.

The consensus of the President's advisers continues to be that **a weak upturn will get underway this quarter and that it will gain momentum in the third quarter**, even though they don't believe the advance will be powerful enough to slash unemployment as deeply as they think it should be cut. But Congress is inclined to look on a tax cut as fiscally irresponsible, and the judgment of Administration fiscal advisers is that Kennedy will recommend a tax cut only if the recession takes a dramatic—and unexpected—turn for the worse.

• • •

You can, however, look for the Administration to apply heavy pressure against price increases. A tough, hold-the-line policy on prices appeals to the

White House as good politics and good economics. Price crackdowns can irritate business men and stockholders, but there's nothing that consumers like better.

One straw in the wind came when Kennedy ordered the Attorney General and the Secretary of the Interior to investigate the fall and winter fuel oil price increases. The President's Advisory Committee on Labor-Management Policy will keep a sharp eye on price movements, particularly—but not exclusively—in collective bargaining negotiations. The Justice Department's Antitrust Division will vigilantly patrol the price beat. So will the Federal Trade Commission.

There's a spiritual kinship between the Administration's attitude toward prices and its campaign to push down long-term interest rates. Administration experts believe that **long-term rates have been "sticky"**: The interest rate is the price of money and, they hold, a sticky interest rate is a sticky price. Kennedy Administration economists are frank to say that they consider sticky prices undesirable, so they plan to do what they can to nudge them lower.

• • •

The hottest gunfight on the New Frontier is blazing over the Administration's bitterly controversial education bill. Kennedy's firm initial stand against grant-aid to parochial schools boosted his stock with many Protestants, but it will take all of the President's political skill to keep the battle from inflicting deep and lasting wounds. It's a bitter struggle, and Kennedy not only could get licked—he could also lose votes that he will need if other major domestic bills are to pass this year.

The religious issue is just one facet. There are Southerners who want the school bill rewritten to provide more money for the South. There are Northerners who vow that the South will not get a nickel more than Kennedy recommended. There are conservatives who object to having the Federal Government take on major new education responsibilities, and to having it supply funds for teachers' salaries. There are integrationists who are determined to bar funds to communities that are in defiance of the Supreme Court.

The wisest of Capitol Hill insiders say frankly that **they cannot predict whether there will be a school bill this year**—or what it will look like if there is.

But their best guess is that the President will post a reasonably solid score on his legislative program. The odds are that the final tally sheet will show that Congress passed emergency unemployment compensation, minimum wage, housing, depressed areas, and dependent children aid measures, and endorsed United States membership in the OECD. Approval of a bigger defense program is considered certain, but a hard struggle is in prospect over the foreign aid and special Latin American programs. The lawmakers are due to grant Kennedy's request for a more generous social security system. The fate of the tax incentive-loophole bill is in doubt. And the medical insurance plan has been pigeonholed until 1962.

• • •

The word is going out that this will be a busy year for the multi-billion-dollar International Monetary Fund. The 70-nation agency was set up at the end of World War II to provide emergency loans to countries that run into temporary balance-of-payments difficulties. Top officials in the U.S. and in other major countries want loans from the IMF to be considered a normal—rather than an emergency—way of doing business. Some experts think it would both have helped this country and added to the prestige of the Fund if the U.S. had made its first call on the IMF when we were losing gold at a rapid rate during late 1960 and early 1961.

The chief argument for a U.S. drawing was that it would strengthen confidence in the dollar by demonstrating that the U.S. had big international resources it could call on to defend it. The big objection was an unfavorable psychological repercussion on currency speculators. It was feared that the drawing would make the payments position look even worse.

The expectation now is that **the United Kingdom will do what the U.S. was unwilling to do**—and will take the lead in borrowing from the IMF in normal, non-emergency fashion. The U.K. doesn't actually need the money, but its currency reserves are under heavy pressure.

—JOSEPH R. SLEVIN



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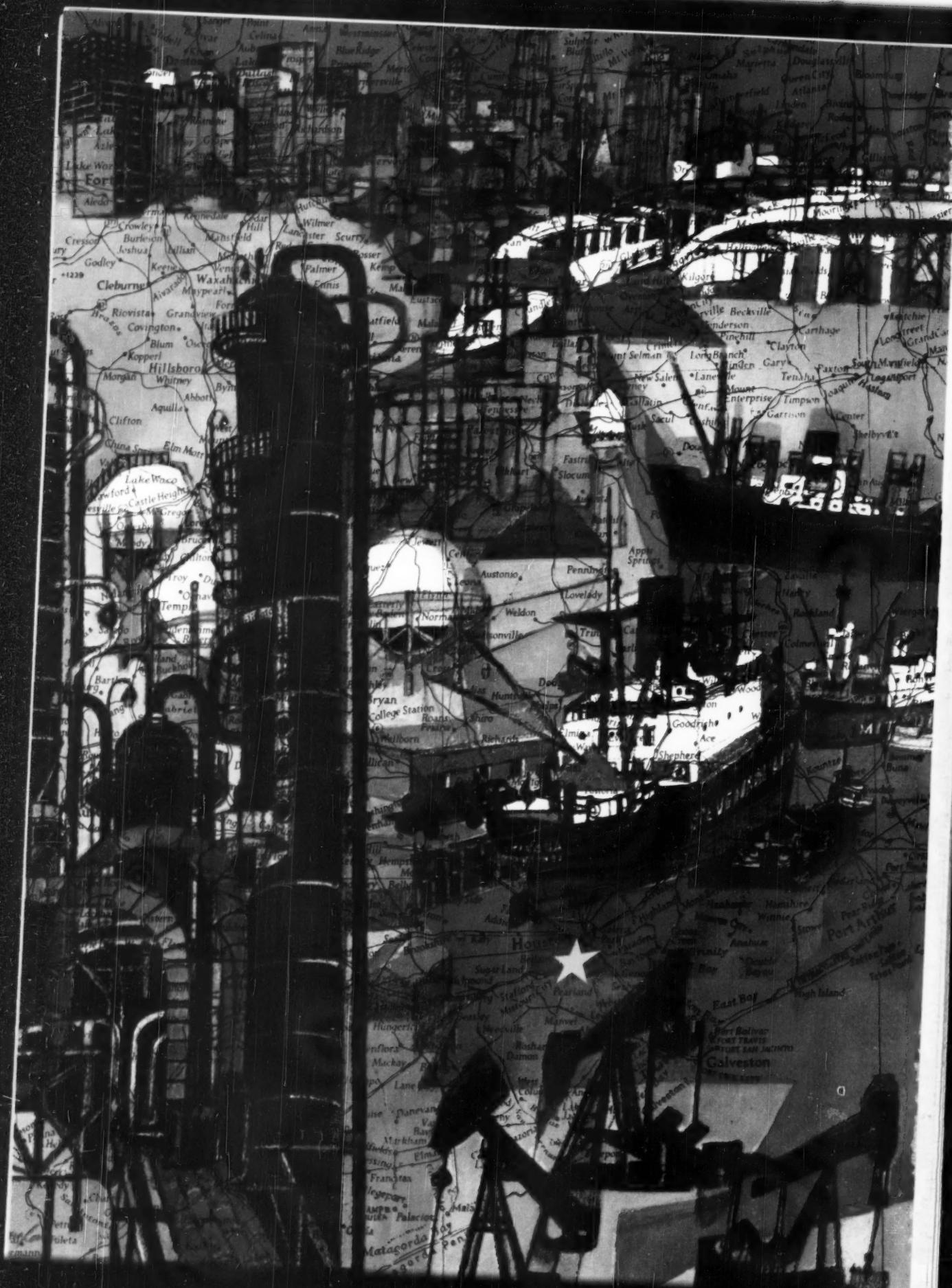
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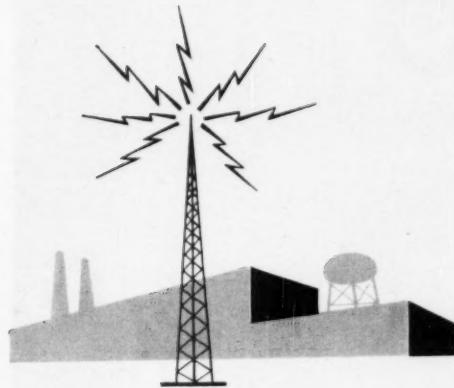
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Voice of Industry

*What business can do when it must
New "attack" on corporate management
Chill winds blow down from Canada*



JAMES J. NANCE, President, Central National Bank, Cleveland, Ohio.

Unseasoned by Depression

Part of the pressure now on industrial management comes from the fact that so many executives came up the ladder in years when "production" was the climate. They never knew the responsibilities assumed by management in the great depression. Their minds are without concept of what business found it could do when it had to—and this contributes to the present lofty cost of doing business and buying new plant and equipment, as compared to planning to take advantage of long lead time in capital goods.

These men were deprived of the opportunity to learn the problems of distribution, which are now the more tense because of the diversification of products. You cannot do as sharp a selling job for a wide list as you

can for one or two products, and you are exposed to new competition the more things that you make. Yet most companies experiment in the area of distribution only when under pressure for sales or profit. Then we face up to the age-old problem: Should each department market its own goods, or should there be central distribution responsibility? We vacillate with changing climates without having come to grips with either policy.

From an address before the Cleveland Chamber of Commerce.



PETER F. DRUCKER, Chairman, Management Department, Graduate School of Business Administration, New York University.

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*The first report, covering the North Carolina and Virginia Piedmont area, was released last fall.



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only outwardly. There will be questions about the proper relationship between business and government. We will be forced into thinking through the relationship between the corporation and the person, and especially the corporation's claim to "allegiance." We shall ask questions on the old problem of "bigness," and the accountability of management.

There is danger that managers will react to these questions by trying to "sell" the existing system—the one sure way of convincing the majority that something must be very wrong with it.

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Here is a tremendous opportunity for leadership—but a very real danger for timidity and ill-advised discretion. Will the managers take the responsibility, and answer these important questions about the impact of corporate enterprise on the community—now that the community has accepted corporate enterprise?

From a speech delivered at Northeastern University.



H. LADD PLUMLEY, Board Chairman and President, State Mutual Life Assurance Company of America.

A Measure of Friendship

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which will scotch the virus plaguing the Canadian economy and at the same time free you of international obligations? I submit that Canada suffers from an emphasis on statistical knowledge rather than philosophy, an emphasis on present status rather than trends.

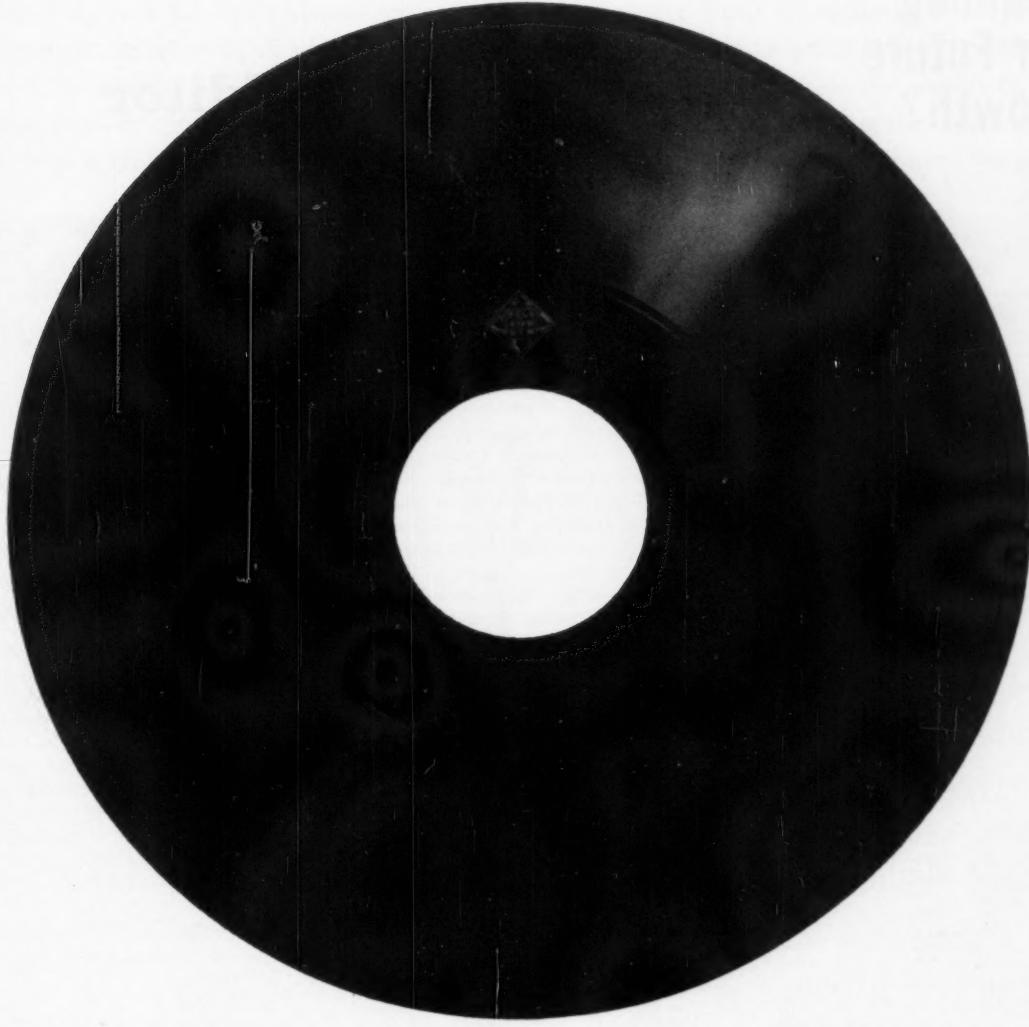
In Canada, it seems to be popular to engage in somber introspection regarding your present and future, but the words that most frequently come from your analytical couch are, "I think I have been warped and dominated by my wealthy Uncle Sam." It is true that U.S. citizens and corporations have invested twice as much capital in Canada as they have in all of Western Europe combined. Did Canadians who encouraged this investment do their country harm? Did the investors commit a wicked deed?

Capital is the product of the ingenuity of the inventor, the daring of the explorer, the toil of those who labor, the skill of those who manage, the prudence of those who save. Yet all this dedication would be frustrated if a government of fiscal integrity and political stability was not present. The U.S. investment in Canada is a compliment to you. That it has been made at a time when the world is short of capital funds is but further evidence of the regard in which you are held.

The examination of the extent of U.S. investments in Canada partakes of some of the fallacies of reviewing only a single year's balance sheet and drawing conclusions therefrom. It is stated with some awe that the foreign debt was equivalent in 1959 to 44 per cent of your Gross National Product. Seldom do I see that in 1929, the ratio was 98 per cent. Won't preventive measures against all capital investment drive away advantageous ingredients for future jobs, future wealth?

It is true that with such investment there arises the nettlesome questions of foreign dominance. You accuse us of assuming that what is appropriate in Topeka is acceptable in Toronto. When we so act, we are in error. But, though it is easy for us to think of you as another country, it is difficult to think of you as a "foreign" country. This is a measure of friendship and trust, not a yardstick of indifference.

From an address before The Canadian Club, Toronto.



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Letters to the Editor

The Master-Mind

To the Editor: When Clarence B. Randall talked about the bumbling executive and his messy desk, ("The Myth of the Overworked Executive," DUN'S REVIEW, February) I am sure he meant me. For a long time, I took comfort from a picture of the messy office of an internationally famous Harvard professor. I even derived some solace from the habits of Thomas de Quincey, of opium-eater fame, who used to abandon his rooms and find new quarters when he could no longer stand the mess.

Mr. Randall aptly compares the ideal corporation executive with a high-powered automobile. I would prefer to be a \$1 million computer, awesome and absolute in my hidden power—eliminating, of course, the messy human programmer who is so prone to err.

But I wish Mr. Randall had named the powerhouse he had in mind. I suspect that he is that greatest of all executives, that cool kid, Fu Manchu, absolute master of the underworld. This supreme controller has for years been trying to take over the whole planet—though he is frustrated from time to time by a rather casual inspector from Scotland Yard. In confidence, tell me—is Clarence B. Randall a pseudonym for Sax Rohmer?

KARL BOSTROM

Chairman of the Board
Bostrom Corp.
Milwaukee, Wis.

Not-So-Magic Spending

To the Editor: Mr. Holenstein's letter, attacking Mr. Randall's attack on lavish expense accounts ("Letters to the Editor," DR&MI, January 1960), appears to me a very clever and sophisticated piece of rationalization. The savings he would realize by entertaining his customers less expensively could be used to expand his business and possibly to provide more productive and wholesome jobs for the unfortunate chorus girls, maîtres d'hôtel, and bartenders who would find themselves without jobs because of his non-support via the expense account ruse.

P. A. LAUZON

Pittsfield, Mass.

A Moral Code

To the Editor: Mr. Randall eloquently outlines the simple truths of management and establishes, if you please, a moral code ranking second only to religion.

These truths should be in the hands of every young man and woman about to enter the business world, required reading for every young executive and a must for everybody in responsible charge today.

A. N. CLIFTON

Longmeadow, Mass.

Ups and Downs

To the Editor: Your February editorial, "The Quaking Aspen," says what needs to be understood by everyone about the normal ups and downs of business.

It has long been my opinion that without Government interference the depression of the '30's would not have lengthened out as it did, to be ended only by a war. Certainly we will not have a good recovery now unless prices, via wage reductions, can be brought into line with demand.

BEATRICE H. HILL

President
Dayton Chapter
American Society of Women Accountants
Dayton, O.

No Place for the Founder

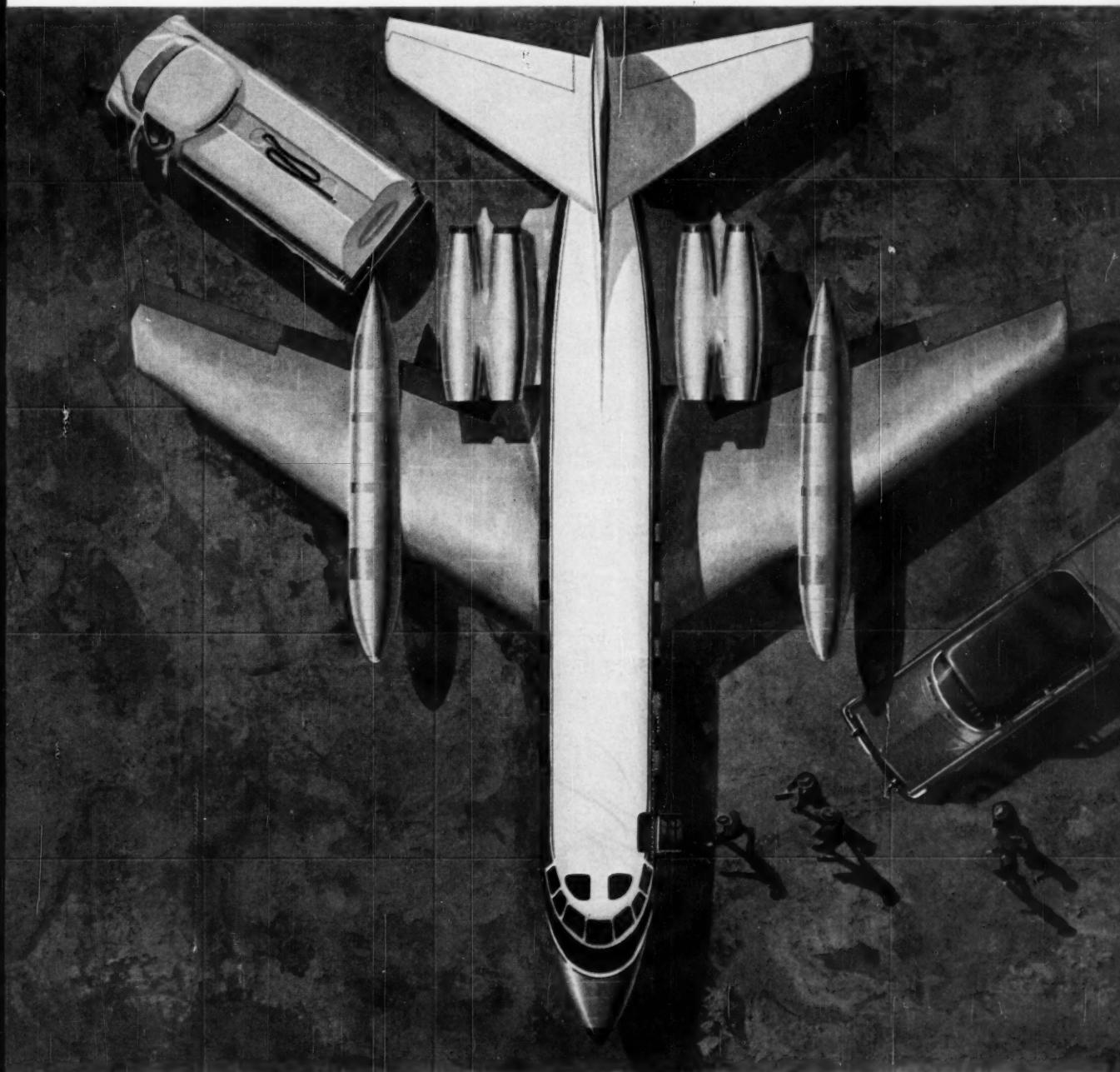
To the Editor: It is evident that industry is currently going through another of its orgies acent college degrees. Like me, thousands of young candidates for management positions have discovered that, whatever their experience, references, and proven records, they can not rise above menial supervisory positions at the department level. It adds insult to injury to be told—as I have been—that the founder of the company which still bears his name would not be hired for a position of importance today, since he never completed college.

Please do not use my name—my immediate superior would not appreciate this commentary.

NAME WITHHELD

New York, New York

This corporate-size jetliner leaves right now! The Lockheed JetStar is the only pure jet that's always ready to go when you are. Four aft-mounted Pratt & Whitney jet engines thrust you quickly and quietly to cruising altitude and speed (up to 45,000 feet, far above the weather—500-550 mph.) You have range to go nonstop across the continent. Fly to a nearby city—or another hemisphere. Operate from more than 1,000 airports in the U.S. and Canada—hundreds more in South America and overseas. Lockheed Aircraft Corporation, Marietta, Ga.



LOCKHEED
JETSTAR
FLAGSHIP FOR YOUR CORPORATE FLEET





60 SERIES MIDDLEWEIGHT

FLEETSIDE PICKUP



THEY STAY YOUNG ON TRUCK-KILLING JOBS

There's a gravel hauler in Virginia who claims you don't wear out a Chevy. "You just get tired of looking at it and buy a new one."

We like to think most people don't even get tired of looking at them. But the main point is that with I.F.S. (Independent Front Suspension), they stand up to poundings that make you proud to be their owner. They move faster over rough roads to get more done in a day. And they make life a far sight easier for the driver . . . for the load, too, if it's the fragile kind. There's a hauler out in Idaho, for example, who loads on 110 five-gallon water bottles; goes 55 over roads that used to hold him to 30; and hasn't broken one bottle since his pre-I.F.S. Chevy days when he used to break 10 and 12 a month.

That's a string of claims to lay to a suspension system, but who can argue with success? There are well over 300,000 I.F.S. Chevrolets out there right now working as no I-beam truck ever worked before.

We're talking about a major truck advance, not just a gimmick or a new-fangled idea. I.F.S. can mean the difference between putting money in the bank and paying high maintenance bills. Wouldn't you say that was reason enough to have it? . . . Chevrolet Division of General Motors, Detroit 2, Michigan.



With Chevy's INDEPENDENT FRONT SUSPENSION design (at left) each wheel flexes independently, keeps the truck and the load virtually level with the road; minimizes tire abuse as well as stress and strain on chassis, body and sheet metal. The ordinary I-BEAM FRONT AXLE (at right) is the type most other trucks still have—a stiff-beam design that can't help but transmit road shock and vibration from one wheel to the other and right up through the chassis, the cab and the load.

CHEVY IFS TRUCKS
FRONT INDEPENDENT SUSPENSION

THEY WORK HARDER BECAUSE THEY RIDE EASIER

TWO HEAVY-DUTY TANDEMS

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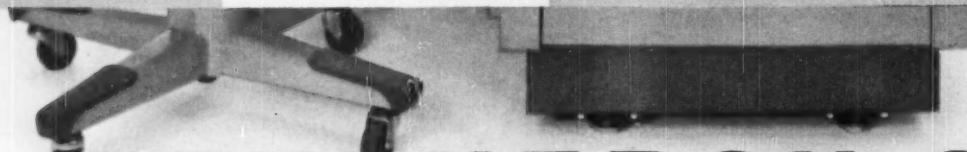
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EDITORIAL

Dollars in Motion

UNCLE SAM, like Atlas, has tried to carry the world on his shoulders for more than a generation, and whether assuming the burden was an act of devotion or necessity is a matter of definition. Atlas, in a huff, walked away from his burden and nothing happened. He was supporting a vast illusion. Is Uncle Sam doing the same thing? The American dollar, representing the faith and energy of American citizens, workers, and business men, has been geared to a tired world and kept it spinning. In asking more support from the Western nations, we aren't making any threats, but one thing is certain. If we follow the policy of a petulant Atlas, the world is not likely to collapse, but it probably would wobble along in political orbit without any problems being solved—or worsened beyond repair either.

The dollar has worn thin from daily rubbing and hard squeezing over both hemispheres, but it has performed yeoman service in keeping governments stable, goods moving, and people fed and hopeful through many difficult years. In this period of transition, the older nations of Europe are paying the delayed penalty of colonialism and power politics. Younger nations freed of both shackles and charity are suffering from growing pains. Some of them are shocked to learn liberty carries with it an economic responsibility no less important than the diplomatic prestige of membership in the UN.

The credit dollar in circulation, with the productive capacity of United States industrial "know-how" and trading ingenuity behind it, is still the symbol of our economic vitality. It is far more impressive and effective in its long-term influence than the synthetic balancing of accounts with the gold of Fort Knox.

The worship of the gold standard goes on, backed by its centuries of tradition as the stabilizer of currencies. Yet it is a meaningless fiction as a symbol of national wealth. The gold and jewels of the Maharajahs

are false fronts for the poverty of India, and silver, with less prestige than gold but more elasticity to trade and currency, is still an unsatisfactory agency for commerce. No one sees this more clearly than India's leaders, with their lively social vision for new industry and upgraded agriculture to lift the social standards of an ancient, static civilization. East Indians may hoard the gold sovereigns of Victoria, the silver rupees of Edward VII, but they spend the credit dollars of Uncle Sam with better understanding and appreciation of social and economic values.

The scope of influence of the Roman empire is marked to this day whenever the plough or shovel uncovers a coin with Caesar's profile in the marshes of Finland, the jungles of Thailand, or the plateaus of Ethiopia. The impact of the credit dollar—backed by the ingenuity, energy, and good will of the American people—will last longer than the Roman denari in the memory of mankind. The dollar has insulated older nations against pessimism, and strengthened the brash young nations against the rickets of a low-calorie diet.

In the dual role of peacemaker and pacemaker for a world of reasonably free enterprise, America still must roll ahead on the mobility of the dollar, especially the dynamic credit dollar which can set industry in motion in thousands of overseas communities at a word from New York, Washington, or Peoria.

The dollar is taking its buffeting in stride, as friendly competitors, learning their lesson too well, attempt to outsmart us at the market place. We now can learn, or re-learn, from them the need for a rejuvenated, competitive spirit, both abroad and at home. How well the dollar fares in the future depends on the American citizen's vitality and productivity—and his determination to give the dollar renewed impetus as it meets competition, putting new bounce in the globe as it rests more lightly on the shoulders of Uncle Sam for another year or two.

BUSINESS RECOVERY

how soon, how strong?

"RECOVERY?" grumbles one business man. "I've seen some of it, and I hear plenty of talk about the recession bottoming out, sure. But where are the orders?"

It was a question still other business men were asking as 1961's crucial second quarter got under way and companies began looking for signs of a spring pickup in their own back yards. True, four out of five executives queried in a special DUN & BRADSTREET wire network survey (DUN'S REVIEW, March 1961) predicted that business was or soon would be headed back up again. But quite a few business men were wondering just how strong and vigorous the recovery would be.

All of them were certain that the bottom had been reached. Listen to some of their estimates on the recovery:

- Paul M. Hammaker, president of Montgomery Ward: "You'll probably see the recovery appearing in May."
- Herbert W. Hoover, Jr., president of the Hoover Co.: "The upturn should start at the end of April, with business definitely getting better by June."
- Henry H. Rand, president of the International Shoe Co.: "I would guess during the second half, but starting in June."

Yet, even if the pickup arrives on



schedule, what about that all-important question: How much force will be behind it? Will the economy regain the boom stride of the early Fifties, or is the best we can expect a 1959-style breathing spell between recessions?

These questions are not easy to answer.

As business leaders will remind you, this has been an extremely difficult recession to out-guess. For one thing, it caught many of them—quite understandably—by surprise. The economy had just emerged from the 1957-'58 recession, and never in the postwar era had one downturn followed so closely on the heels of another.

The very nature of this latest recession also adds to the problem. Unlike the setbacks of 1949, 1954, and 1958, it was not caused by a dip in capital spending, defense cutbacks, or any real reluctance on the consumer's part to spend his disposable dollars. This has been an inventory recession. The storm clouds that heralded it first started to gather when industry piled up inventories in the wake of the steel strike.

Needed but nerve-wracking

For, once business men got going, they loaded way up on materials and supplies—and then they were forced to cut back. The job had to be done, but it left the economy with a gaping wound. So vigorous was the cutback that the Gross National Product has been held down to a \$504 billion level ever since the second quarter of 1960.

That kind of major surgery, moreover, has one concomitant. Only time can heal it. For it takes at least a year before business men are stocking up at a high enough rate to send the economy spiraling upward again.

Hence the current doubts about the pace of the recovery. As Chairman Lucius D. Clay of the Continental Can Co. puts it: "I don't think the upturn will be very sharp or immediately felt. Inventory replacement will not be too fast, and the result will not be as sharp an upturn as those after previous recessions."

To keep track of the pickup, business leaders are watching at least three key industries: construction, autos, and steel. Of the three, the most promising is construction, where volume annually runs to \$55 billion a year and must be considered a key



Con Can's Clay and St. Regis's Adams call inventories the bellwether.

factor in the national economy.

Recently, of course, the builders' house has sat on a shifting foundation. On the one hand, heavy construction has remained at a high level as both Government and industry continued their own building programs. But last year private residential construction—those all-important housing starts—fell from \$23.5 billion in the second quarter to just under \$20 billion in the fourth quarter.

Then, early this year, stormy winter weather cut still further into housing starts. President Eugene C. Brewer of the U.S. Plywood Corp. flatly calls it "the worst winter in memory" for home builders. Nevertheless, Brewer is now optimistic. "Sales of building materials for homes," he says, "should start to climb in late spring or early summer. More mortgage money and reduced interest rates should spur the industry out of what I consider a deeper slide than '58."

But it will take more than construction alone to power the economy's climb to new highs. The all-important automobile industry also must start to pick up. In a good year, the Detroit automen can account for a thumping 20 per cent of all the steel sold in the nation, 63 per cent of its rubber, a growing share of its aluminum.

How do Detroit's executives feel about their chances of sharing in a boom? So far, of course, car sales have lagged sharply behind what Detroit has come to expect in recent years. Nevertheless, even so astute an executive as Edward N. Cole, the head of General Motors' massive (1.9 million units a year) Chevrolet division, feels that the industry will soon be ready to step on the gas. Cole bases his optimism on one prime in-

dicator. "The recent improvement in truck sales suggests a general economic improvement in the months just ahead—because it shows underlying confidence by the business community," Cole says. "With this hopeful sign coming this early in the year, prospects for a general business improvement are brighter."

No industry studies the statements of automen more closely than steel. In the heady boom years of the industry, steelmen expanded their capacity to an estimated 148.6 million tons. Then came cutbacks in inventory buying and slower-than-normal car sales. The steel mills idled along at half their capacity.

Ingots inch up

Recently, though, steel has managed to edge up its operating rate (see chart) without help from Detroit. "Steel ingot production," agrees President John F. Smith of the Inland Steel Co., "has been creeping up in spite of a decline in buying by the auto manufacturers. This increase in orders is from a wide assortment of industries."

Does it signal the end of the recession? Smith won't go that far. But he does think the order pickup may mean that the customers are scraping the bottom of the inventory barrel. "Maybe," he says, "our customers are finding they have to buy steel whether or not their business has improved."

On the surface, of course, once steel picks up so should the performance of its hundreds of large and small suppliers. Here, though, the benefits are likely to be delayed. Consider the American Cyanamid Co., which makes 60 per cent of its sales to industry. American Cyanamid's president, Dr. Wilbur G. Malcolm, does not expect the business upturn

to affect his company until very late this year. "There is always a lag," notes Malcolm, "between the pickup in such prime industries as steel or cars and the time it reaches us."

A similar lag also faces the paper industry, which sells huge tonnages of paperboard, boxes, and similar products to big and small business. "Paperboard sales," reports President William R. Adams, of the St. Regis Paper Co., "are at the same levels they were at this time last year." Adds he: "We have no evidence of inventory re-accumulation at the moment, despite the fact that customer inventories are very low."

No time to tarry

Still other industries, however, aren't waiting for a business upturn. They're helping themselves to recovery by moving into new fields. Take oil, which has been in a private recession of its own for the last two years. Even such giant companies as Shell, Jersey Standard, Phillips, and Standard of California have been going deeper into petrochemicals.

The lure is not hard to spot. Petrochemicals are made from an oil base, and their technology is not overwhelmingly different from that used in refining gasoline. Too, an oil well these days returns only about 10 per cent on its investment. The same dollar put into petrochemicals will return at least 15 per cent.

That drive into petrochemicals should also enable the oil industry to keep up its capital expenditures dur-

ing 1961, thus aiding other business men. "Based on present plans," notes Monroe J. (Jack) Rathbone, chairman of the Standard Oil Co. (New Jersey), "Jersey's capital expenditures in the United States for the year 1961 should be at a higher level than in 1960—and that represented an increase over 1959."

Then there are the industries that survived the recession in good shape. Take the appliance makers, most of whose lines held up fairly well in 1960, as consumers continued to spend despite the high level of unemployment. "The radio and TV receiver manufacturers," notes President Robert W. Galvin of Motorola, Inc., "are doing a healthy and profitable business, all considered."

H. W. Hoover, Jr., who heads the electric cleaner and appliance company of the same name, agrees. "Inventory rebuilding," he says flatly, "will spark the pickup."

Adding to the bright picture, the consumer is keeping up his rate of spending. "This is not a black-and-white picture," comments Montgomery Ward's Hammaker. "Most of the people are saving money, but they also are in a mood to buy right now."

The proof? "The Chicago automobile show," Hammaker points out, "had an all-time high attendance. There's a great interest in new cars, and the mail order business has been okay, too."

Most business men, and many economists, agree with Hammaker

and Hoover. They have been watching the key industries—and they like what they see. By the fourth quarter, as they view it, construction outlays will have risen to a level some \$4 billion over the same period of 1960, with about \$2 billion of it coming from added housing starts.

The big question mark

And those all-important inventories? Few financial indicators are so difficult to pin down. Unlike housing starts, steel and auto production, and the like, there are no really solid statistics available which would give an accurate picture of, say, just how much steel is in users' hands.

Statistics or no statistics, though, the nation's top business men feel most of industry will soon reach the end of its liquidation phase.

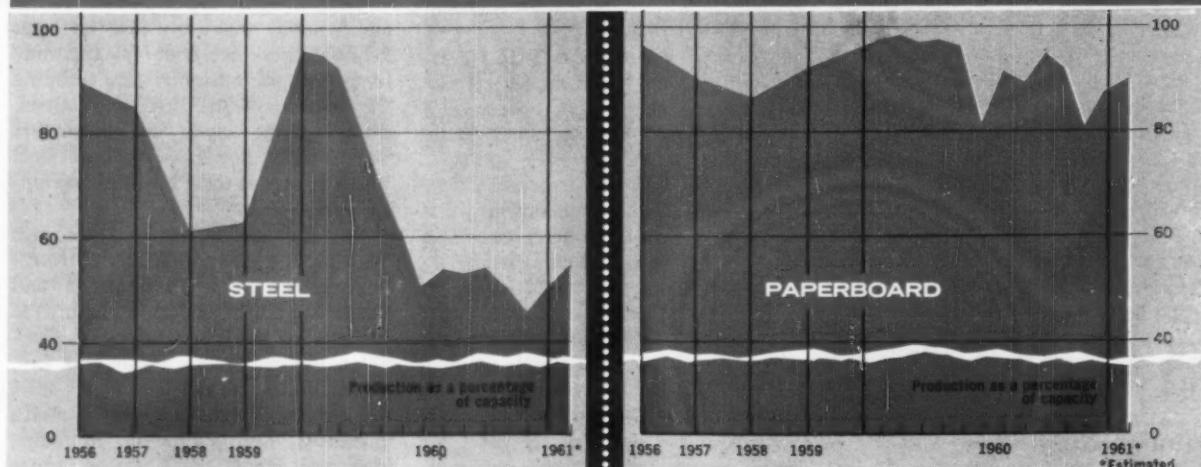
By the final quarter of 1961, many of them privately guess that industry's rate of output should rise sufficiently to boost the Gross National Product close to \$525 billion. Says Ray R. Eppert, president of the Burroughs Corp.: "I expect a fast finish to 1961. It will be a better year than 1960 when all the figures are in."

And after that? The key word is momentum. Once it really hits its stride, the recovery could bring the operating rate of many key industries close enough to capacity to set off another wave of capital spending. And that, without much doubt, could push the American economy to a new high in 1962.

—MELVIN MANDELL

The Problems of Plenty

For at least two key industries—steel and paperboard—the problem now is to get enough orders to operate at a rate somewhere nearer to total capacity.





Risk & Reward South of the Border

For all the scare headlines, you can do business with safety in Latin America—and make substantial profits as well.

WHENEVER THEY TALK about South America, old Latin business hands inevitably dwell on just one statistic. They may mention that the populations of the 20 republics to the south are growing far faster than our own, and that their economies will receive added impetus from the ten-year development program which President Kennedy recently proposed.

Nevertheless, the old hands return to that one statistic. It is the median age of the Latin American. He is exactly 21.5 years old. And that figure means that Latin America only now is really starting to grow up. Over the next few years, as those young people marry and form families, they will set up a soaring demand for items ranging from construction and farm equipment to medical and health supplies, and from basic household goods to luxury articles for a newly emerging middle class.

More than one top business man confesses himself dazzled by the prospects. "Latin America's growth potential is very great," declares William T. Brady, chairman of the big

Corn Products Company, which gets about a third of its \$700 million-a-year volume from abroad. "Its gross national product should grow faster than that of either the U.S. or Europe, and its growing population will boost consumer demand tremendously."

Corn Products, however, has been operating in Latin America for nearly 30 years, and Brady has the confidence that comes only from long experience. For other business men, Latin America more likely means the angry headlines made by Cuba's fiery Fidel Castro, or the sporadic bombs that shake Venezuela and its moderate government. Or, even, the depreciation in some of the local currencies that has cut American investments by anywhere from 8 to 30 per cent a year—a loss of millions of dollars in profits and assets that can't be deducted from U.S. tax bills.

Caught between the glitter and the glare, then, the American business man must ask himself one big question. Chances are, there is a growing market for his product in Latin Amer-

ica, since the area needs more of almost everything. But are the potential rewards of doing business in Latin America worth the very real risks?

Many of the nation's top companies think so, and are backing their convictions with cash. International Paper Company and W. R. Grace & Company, for example, are jointly building a 100-ton-a-day paper mill in Cali, Colombia. Sears, Roebuck has long been a top name in Mexico. And Deere & Company, the largest U.S. maker of farm equipment, which started out in Argentina building tractors in a leased warehouse, is now getting ready to move into its own plant.

How do these companies, which rank among the giants of American industry, feel about risking their hard-earned profits in the ever-bubbling cauldron of Latin American politics? Deere's President William Hewitt gives the best answer. "You must," he says, "go into Latin America on a long-term basis, and you can't be frightened by every shift in the political climate. In other words, you've



NOW EXPANDING his facilities in Latin America, President William Hewitt of Deere & Co. refuses to be frightened by "every revolution."

got to keep a sharp eye out—but you can't let yourself get panicked by every revolution."

There are, moreover, many ways in which the business man can cut down on his No. 1 fear: expropriation. Perhaps the easiest is simply to take out the expropriation insurance which is being issued by the U.S. Government's International Cooperation Authority. Once his papers are filled out, the American business man can obtain this insurance for most Latin nations in just 24 hours' time. The annual cost of the insurance amounts to only one half of 1 per cent of the business man's total investment, and even such large companies as ABC-Paramount and the Pure Oil Company are using it to cover their operations in Costa Rica and Paraguay respectively.

At least two other business men have found still another way to avoid the expropriation hazard. They are the father-and-son team of Henry and Edgar Kaiser, chairman and president, respectively, of the Kaiser Industries Corp., who were building roads in Cuba as early as 1926. Most business men know the story of how they went into auto-making in Argentina and Brazil. Not quite so well known is the canny way they avoided expropriation when the Peron dictatorship fell in Argentina. Shrewdly, they had decided to hold only a minority interest in the car company, spread its ownership by selling stock throughout the country.

The move paid royal dividends when Peron was overthrown in 1955. All large Argentinian companies, of

course, were "interdicted" immediately after the revolution. Many still are. But Kaiser, with 20,000 Argentinians owning a share of its business, was in interdiction for a mere six months, got out of it before any other company.

This experience, as Edgar Kaiser sees it, points up an important rule on doing business south of the border. "The day of 100-per-cent United States ownership is over," says he flatly. "The Latin Americans want participation." Adds Kaiser: "American business men must look to participation in Latin American manufacturing operations, rather than to exports. Exports will never come back to their former high levels."

Ahead at the start

Despite expropriation worries, Latin America undeniably holds many lures for the manufacturer. Not least of them is the warm welcome that is almost automatically accorded an American product. Latins have never made any secret of their belief that foreign-made products are superior to their own. One of Edgar Kaiser's major problems in Argentina, in fact, was to convince the locals that his native-made car was every bit as good as the import.

Reputation alone, then, gives even a manufacturer new to the market a leg-up in selling his product. "If there is a demand for what you make," agrees Vice-President William S. Lindsay of Corn Products, "you may find that the fact that it's made by an American company evokes in the local mind a picture of quality."

This image is not confined to prod-

uct quality. Despite their outbursts of anti-Americanism, Latins know the Yanquis as good employers who always pay at least the minimum wage rates and sometimes offer fringe benefits as well. Locally-owned companies, in contrast, sometimes try to find ways to avoid paying the minimum.

Added to that, unions are not a problem in vast areas of Latin America. With labor plentiful, workers are disposed to be cooperative. And many of the terms which in the U.S. must be hammered out by labor and management are a part of Latin law. Minimum wages, for example, generally are set by law. So, too, may be the vacations to which certain workers are entitled. In Argentina, for example, all workers who have been employed for a year must get 20 days of paid vacation.

In general, Americans have found it wise to hire as many locals as possible. Creole Petroleum, for one, is a firm adherent of this policy, even has two Venezuelans on its board of directors. Another company, in mining, promotes Latins as diligently as it hires them. When it does hire a non-Latin, it makes sure that he learns Spanish, makes as many native friends as possible, and does not live apart in a separate colony—a mistake Americans currently are making all over the world.

But if there are inducements for going south of the border, there are also some dangerous pitfalls. Latin America's culture today is a blend of the Spanish and the Indian. Its ways can be far different from those U.S. business men are used to. And it's far from being all of a piece—such bustling countries as Venezuela have little in common with poverty-ridden Peru or Ecuador. The American must face the fact that he is setting out to do business in a foreign coun-



CORN PRODUCT'S BRADY looks for fast-paced growth in Latin America.

try—and must prepare himself and his products to meet that change.

Consider religion alone, a field which few American employers—as employers—need bother their heads about. The American executive in Colombia is doing business in one of the most pious countries on the face of the earth. His employees go to church at least once, and probably twice, a day. Since religious holidays are important events in Colombia, production and shipping schedules must be set up with an eye to the church calendar.

The American may also find that he has to make changes in his product. Deere & Company was able to sell American-style farm equipment for the huge, flat farms of Argentina and Mexico, whereas the smaller farms of Europe required completely new designs. On the other hand, when food companies go into Latin America they find that what sells in Scranton may not move in São Paulo.

"Convenience" with a difference

Latin housewives spend a great deal of their time in the kitchen. Does that mean, then, that they're prime customers for "quick," easy-to-prepare foods? Not at all. The Latin woman who uses an instant food would quickly be branded *perozosa*—lazy. At least one large food company had to consider this fact in marketing its packaged soup. The label now carefully notes that it is a "soup base" and needs other ingredients.

But Latin America still holds the lure of a continent whose markets have been barely tapped. It has not had nearly so heavy an influx of American business men as Europe or Canada. The U.S. share of net earnings from investments in Western European manufacturing increased by \$272 million from 1950 to 1959. In Canada, the increase was \$137 million. But in Latin America, net earnings rose by only \$14 million, and most of that was probably accountable to such companies as Creole, Socony, and Gulf, with their wells in oil-rich Venezuela.

What about foreign manufacturers, the same companies which now are flooding the U.S. with low-cost goods? Manufacturing in Latin America, the Yankee business man may well be able to match their prices. That being so, he only has to learn how to compete with the foreigners in credit.

So far, he has not. Poverty-ridden

and over-populated, Latin America is chronically short of money. Even for the buyer who can borrow easily from a bank, interest rates run as high as 10 per cent, 12 per cent, or even 18 per cent a year. And the few Latin business men who can afford to carry huge inventories without borrowing would prefer, not unnaturally, to put their money to better use at the prevailing high return.

While European business men have learned to turn this to their advantage, many U.S. companies are still sadly behind the competition. Nearly every European government gives its exporters a credit advantage over Yanqui traders. And the European exporter has a powerful selling point when he can offer financing for six or twelve months or longer, sometimes without charging interest at all.

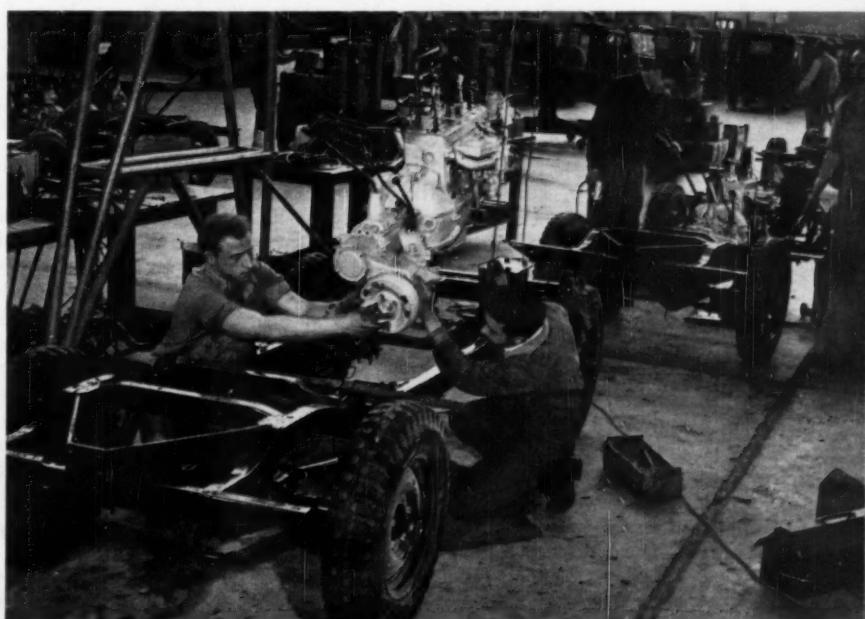
Amid the welter of religious holidays, credit conflicts, and the old Latin idea of doing everything *manana*, can the American business man hope to break into Latin America successfully? If the case of the Sterling Drug Company is any evidence, the answer is yes. Fifteen years ago, Sterling set out to blanket Latin America with its shaving cream, milk of magnesia, aspirin, cosmetics, and similar products. It set up facilities in every major country to produce and package these items. By shipping

mainly semi-processed goods from the U.S., the company was able to transfer funds even when the various nations were short of dollars—for the Latins saw that the semi-finished products were saving them dollars that might have been spent on fully processed items.

At the same time, Sterling made each local subsidiary into a separate corporation, sent down top-flight American or U.S.-educated Latins, and worked out a way to combine Latin custom with American know-how.

As Sterling saw it, its business was to export drugs, not American ideas. So, in each case, the company adapted its ways to those of a specific country. If a Mexican or Brazilian distribution method, accounting system, or processing arrangement did not suit the Peruvians—well, Sterling worked out new techniques for its Peruvian subsidiary. True, the New York office had headaches trying to coordinate a welter of different reports, but the company now has grown into a comparative giant south of the border.

It's safe to say, then, that Latin America may well be an industrial El Dorado for the profit-minded U.S. manufacturer. Edgar Kaiser sums it up: "The demand is tremendous—and, so is the opportunity." END



KAISER'S ARGENTINE auto plant, with 20,000 local stockholders, was hardly affected by the violent overthrow of Peron.

Undisputed king of the computer makers, IBM counts on a unique sales staff and new lines to keep up its heady momentum.



THOMAS WATSON, JR.: Can he hold IBM's lead over its hungry new rivals?

The Calculated Growth of IBM

ON THE DESK of his Manhattan office, tall, rangy President Thomas J. Watson, Jr., of the International Business Machines Corp. keeps not the company's famed THINK sign but an ornament made of plastic slabs. Starting slender and low, the slabs gradually broaden as they mount in height. The ornament has been carefully designed to show how IBM has increased its number of customers, and its income from each of them, since 1919.

The impressive thing about the slabs is the rate at which they have risen and broadened in recent years. They are graphic proof that the younger Watson has more than filled the king-sized shoes of his father, who was one of America's all-time top salesmen. Since Tom Watson, Jr., became president in 1952, IBM has increased its rentals and sales by a walloping 330 per cent, to \$1,436 million

last year, and profits by 462 per cent, to \$168 million.

That power-packed pace has made IBM a giant among giants, and not only in its own specialized field of office equipment. With assets of \$1,534.4 million, IBM now ranks among the twenty largest companies in American industry. Its IBM World Trade Corp. alone, run by brother Arthur K. Watson, operates eighteen foreign manufacturing plants, six laboratories and 284 sales offices. And every day IBM itself gets larger as its scores of plants pour out a massive flood of bookkeeping, accounting, and specialized sorting and tabulating machines.

But it is in the field of electronic computers that IBM has really made its name. Humming and clicking away in their metallic cases, IBM's 609's (price: \$36,000) can add 4,460 six-

digit numbers per second. In the same span of time, its big 7070 (price: \$813,250) can make decisions on 27,700 alternatives. And of the \$650 million that American business men spent to rent and buy such machines last year, by far the major share went for IBM machines. Definitely Number One in the mechanical-brain sweepstakes, IBM has installed more of the new small and medium-size transistorized calculators than all its competitors put together (see chart).

This boom in brainpower has not gone unnoticed either on Wall Street or in the nation's executive suites. Adding to its sales at the rate of 15.9 per cent a year, IBM has been growing far faster than General Motors, U.S. Steel or American Telephone. If it can keep reasonably close to that pace, as more than one statistician has calculated, IBM could well be-

come one of the three or four top U.S. companies by some time in the 1970's.

Can IBM's famed sales force do it? Trying to answer that question could make even the giant STRETCH computer blow a fuse. "The company has grown faster than the most hopeful estimate," agrees Watson. "But we haven't tried predicting, and there's a limit to the growth of any industry." Nevertheless, Watson cannot resist observing that IBM is very much in a growth industry. "The data processing field," he points out, "is dynamic, and there are great opportunities ahead as far as we can look."

By 1965, predicts John Diebold Associates, which watches the computer field the way Gallup watches public opinion, the annual rental of all commercial computers will reach \$1.5 billion. Outright sales to the military will account for another \$2 billion. Clearly, the market for thinking machines is going to be bigger than ever.

Another estimate has it that electronic computers and electronic industrial process controls will account for 20 per cent of the durable goods sold ten years from now, claiming a significant share of all new plant and equipment spending.

Watson, of course, isn't the only executive to take note of such predictions. With the same lure attracting a growing number of competitors, one other development has caused all these companies to plow record

amounts of money into production. That is the advent of the modular "building block" concept in computers. This system will enable a user to add a computer of the same model to the one he has, rather than replace it with a bigger, costlier unit.

Small "brains" = fewer headaches

The customer, in other words, no longer will have to worry about the forbidding price or rental tag of the big models or the danger of outgrowing a smaller computer. And now that computer brains are being fashioned from compact solid-state circuitry, computer makers won't have to worry about carrying the heavy overhead of big service and installation forces that are now required for vacuum-tube computers.

Not surprisingly, then, the war of the thinking machines has become as fierce and as futuristic as anything out of the pages of H. G. Wells. Sperry Rand, the computer pioneer who was knocked out of the top spot by IBM, now has a new thin-film memory device still commercially unavailable from IBM. RCA claims a growing share of the market. General Electric, now just entering the fray, counts on its experience as a top customer of both IBM and Remington Rand. Minneapolis-Honeywell and Burroughs Corp. are coming up fast.

To hold his margin over such rivals, Tom Watson is counting on both a flow of new thinking machines and

IBM's own justly famed sales force. In machines, IBM has managed to come up with some radically new ones. Among them:

- The \$2.5 million 7080, which can make 303,000 logical decisions in a second.

- A new "baby" in the low-priced line, renting for \$1,500 a month. Well within the reach of business men who could not previously afford a computer, this could swell into a volume item.

- The 1711, an integral part of IBM's brand new 1710 process control system, which can automatically scan up to 300 instruments from a plant office and feed the data to a 1620 computer for evaluation.

To push those machines, of course, Watson is banking on his 7,700-man sales force. Long known for his Watson-inspired conservative suit and white shirt the IBM salesman ranks as one of the most potent weapons in American business. This is no accident. The Watsons, both of whom have the persuasive charm of super-salesmen, have set up a system to pass along their own abilities.

The company is choosy about the men it picks, and it takes close to eighteen months to train them. In a course that alternates between field work and specialized studies at IBM's big Endicott, N.Y., plant, the novice gets a thorough dose of computer technology.

But IBM doesn't stop there. Since

Any Number Can Play, But . . .



ALTHOUGH THE COMPUTER MARKET has been invaded by one company after another, IBM has been able to sell more computers than all fourteen of its competitors put together. (Source: ADP Newsletter, John Diebold & Associates).

it subdivides its sales force according to its customers' special fields, each potential salesman is put through an intensive course in one particular branch of business or industry. The man who goes out to sell electronic equipment to the aircraft companies leaves Endicott with a specialist's knowledge of the problems of plane design; the IBMer who covers insurance companies can weave his way through an actuarial table with the sure touch of an expert.

The salesman, in fact, becomes so primed on his customers' needs that he is inclined to see himself as a kind of management consultant. And he's solidly backed by service engineers who design equipment for specific applications, plus a corps of "customer engineers" who are responsible for keeping it in top form after installation.

IBM's high standards for its sales force are matched by a top-drawer

says Watson, "competitors have put envelopes under the door of every IBM salesman. They've got a few of our people," he goes on, "but you can't hire a whole force away."

IBM, moreover, has two big advantages as it heads for its second billion in annual sales. These are its size and its intrinsic stability. Watson gives much of the credit for both to a single factor. "One of the things that has made IBM stable and kept it growing," he notes, "is its rental system. Even if our production were halted, as long as the machines were serviced, we'd have income."

Last year those rentals brought in over \$1 billion, or 71.2 per cent of IBM's total income.

Like all computer makers, Watson refuses—while complaining of the capital involved—to spell out the economics of rentals. Publicly the com-

Watson's big headache in the future, competition aside, will be the inroads of new IBM machines in markets already captured by IBM's older models.

But even as he worries about keeping his computers up-to-date, Watson is moving IBM into new fields which will enable it to maintain the high-powered sales and earnings growth of recent years. Just last year, for example, IBM finally took a running jump into the dictation machine field.

IBM has also been taking the lead in the red-hot field of optics with an optical maser which generates continuous, intense beams of light. Over them, computer users will eventually be able to transmit enormous quantities of information to distant points, at a cost considerably below the charges for leased wires or toll phones. Other recent IBM advances: a machine which automatically translates from Russian or French into English; a cryogenic thin-film memory plane, automatically "grown" from vapor and no bigger than a postage stamp; a "seeing-eye" device which "reads" ordinary business papers, feeds any underlined data direct to a computer's brain.

New fields to conquer

In the meantime, IBM's basic computer business is humming away more merrily than ever. Currently, the company is turning its hand to a whole covey of new computer uses. For one, it is building up data processing equipment for banks and airline reservation desks. Too, it is speeding long-distance data transmission with a unit that complements IBM punched card machines. And its Federal Systems Division, in addition to the information-handling and control equipment used by the nation's space and military programs, is working on a new system for the Internal Revenue Service which will automate the processing of Federal tax returns.

All of which raises one big question in the minds of IBM's competitors, Wall Street, and business in general. Where does IBM—famed for calling the shots on its own growth in its five-year forecasts—now hope to head? Tom Watson, Jr., the man who made IBM the king of the computer hill, will note only that the forecasts are a closely-guarded company secret. But whatever they are, it is obvious from Watson's enigmatic smile that he is fairly certain IBM will reach them.

—PATRICIA H. DURSTON



IBM WORKERS give the 1401 transistorized computer its final testing at the company's Endicott, N.Y., plant.

compensation plan (salary plus sliding-scale commission) that reportedly enables some men to earn upwards of \$50,000 a year.

So effective has this system been that IBM salesmen are in top demand by other top companies. Remington Rand, for example, hired an IBM veteran when it decided to fight Watson's company by revamping its own sales organization. RCA has many on its staff, and so do a broad range of other companies. "At conventions,"

pany estimates that its rented machines bring it an annual return of 10 to 20 per cent, before service expenses. Most financial analysts believe, however, that income is free and clear after 48 to 50 months, even taking into account a stream of profits that begins on nearly the first day of the rental.

On the other hand, the commercial "decay" rate of all the mechanical brains now is at a four-to-five year rate. So it is very possible that



BOWLERS LINE UP at a tournament sponsored by Brunswick which, like rival AMF, uses them to boost sales.

"Having a wonderful time," say the manufacturers who've discovered the recreation market.

The reason? Americans are spending big to equip themselves for all those leisure hours.

There's Money in Fun

ONCE THE PRIVATE PRESERVE of a few specialty producers, the recreation market is now wide open. Such chemical giants as Olin Mathieson and Monsanto have taken the plunge into swimming pools. General Electric equipment scours bowling alleys. And the international oil giants—the Shell's, Esso's and others—are all scrambling to sell a share of the 547 million gallons of gasoline, the 25.5 million gallons of diesel fuel, consumed by the nation's pleasure boats.

Americans, who have about \$40 billion a year in loose change to spend, are more and more becoming a nation of participants. Manufacturers are turning out lighter-weight equipment—some of it in pastel colors—as part of their campaign to get the women playing. Business men out to profit from "family fun" are boosting goods that make sports easier for beginners. And, notes President Edwin L. Parker of A. G. Spalding & Bros., Inc., "As the schools begin to feel the bulge, there'll be a

lot more call for 'team' equipment."

But recreation is not always fun for a manufacturer. Competition is not confined to the playing fields. Notes Director G. Marvin Shutt of the National Sporting Goods Association: "286 exhibitors showed 350 product lines at the 1947 trade show—this year there were 708 with 850 lines."

American-made fishing tackle, bill gloves, guns, and racquets are seriously threatened by rivals from abroad. At home, the staid manufacturer finds it unsettling that a product made in a woodshed can seriously—and suddenly—undercut sales.

Comments a top American Machine and Foundry man: "Where products are easy to make and competition rises fast, leadership counts. You've got to get there first."

The changing seasons also have their perils: Many companies which ship in September don't get paid till April. According to Vice-President F. E. Troy, of Brunswick Corp.,

"The only real strength is to get a full line of sports equipment together, so you can offer retailers more and give your salesman a story to tell."

Companies in the field are also taking out popularity insurance for their sports by organizing clubs. Bowling leagues were the first—there are 70,000 today. Now boating, camping, shooting, and ski clubs are busily creating lifetime buffs.

Manufacturers and their trade associations are in a race to create new facilities. In sports where large tracts of land are essential, they are after every farmer with a substantial parcel to set up a golf course, campsite, or hunting preserve.

There are now some 4,000 marinas and boatyards in the U.S., plus 1,150 yacht and boat clubs. And still a million applicants couldn't get moorings last year. Some 40 million Americans took part in the nation's No. 1 glamour sport in 1961, piping themselves aboard 8 million boats to the tune of \$2.5 billions for equip-

ment, accessories, maintenance, and club fees. According to the National Association of Engine and Boat Manufacturers and the Outboard Boating Club of America, this over-all retail tab is up 400 per cent from 1950.

Last year, however, sales of outboard motors and boats (which dominate the market) dropped to \$442 million from 1959's \$466 million.

Obviously the industry is not without its problems. One is freight costs—boats are expensive to ship, so small local companies have the edge over national producers. Says Ed Corvey, deputy director of the planning and marketing division at much-merged AMF: "We're looking at the boat field, but we still haven't found anything with the right kind of profit margin. Somebody's got to lick distribution."

Cruisers, coal, and stuffed macaws

The sheer number of dealers is another problem. According to DUN & BRADSTREET's new *Boating Directory*, which lists some 30,000 of them, today's boating dealer can also be a coal wholesaler, taxidermist, liquor store owner, or gas station proprietor.

In such a hotly competitive market, it's full speed ahead for new products. Outboard Marine Corp., Waukegan, Ill., which sells about half the outboards, is tooling up for 1962 production of a propulsion unit with an inboard engine connected to an outboard driving mechanism.

Declares President Carl Kiekhaefer, of Kiekhaefer Corp., which makes Mercury Outboards: "A 100-horsepower outboard motor in a 50-horsepower package will be here within five years."

Marine Products Division of McCulloch Corp., makers of Scott outboard motors, offers a matched set of boat, motor, trailer, controls, lights. Says McCulloch President H. B. Atwater: "This ends patchwork manufacturing in the small boat industry and takes the retailer out of the assembly line."

Electronics manufacturers are also flocking to the water's edge: Raytheon Company with marine radio-telephones, depth sounders, and channel monitors, Sperry Rand's Sperry Piedmont Company with navigational aids, Radio Corp. of America with small-craft radar.

Add to this all the yachting caps—plus the 168 million square feet

of sheet plywood, the 90 million pounds of reinforced plastic, 70 million pounds of aluminum that were used last year—and the boating market looks as appealing as the proverbial blue lagoon.

Almost as attractive, though, is the bowling business. "It's only a matter of time," says Ruben Dankoff, head of Bowling Corp. of America, which operates a chain of bowling centers, "before either a supermarket installs a bowling center or a bowling center installs a supermarket."

The new "Taj Mahals" are 60-laners that boast such splendors as miniature golf links, billiard tables, night clubs, nurseries, restaurants, and Laundromats.

Cause of it all, of course, is the automatic pinsetting machine which catapulted American Machine & Foundry and arch-rival Brunswick Corp. on to the recreation scene. Estimates have it that some 27 million bowlers now spend some \$500 millions annually on lane fees alone. And proprietors lay out another \$500 million for buildings and equipment.

Much of the equipment comes from one of the two giants of the automatic machines. Last year AMF shipped out 14,900 Pinspotters for rental, did a \$134.2 million volume in bowling business (as against \$35.6 million in 1956). Brunswick, which

sells its pinsetters outright, took in \$233 million from 14,800 units.

Also scoring a strike today are such manufacturers as General Electric, with its speedy lane polisher, innumerable makers of dining and kitchen facilities, fashion houses out to dazzle the 8 million women who have been lured to the lanes.

Last year, while the boating and bowling sales rolled in, there was one recreation industry that took a dip: The 56,500 in-the-ground swimming pools installed represented a sizable drop from 1959's 70,000. Still, the 1960 tab came close to \$700 million, with another \$300 million spent for cleaning compounds, chemicals, floats, and patio furniture.

Off-pace year

For seven straight years up to 1960, new pool construction gained dollar volume at an annual rate of 25 per cent. Last year's chill, according to Robert M. Hoffman, publisher of the 34-year-old *Swimming Pool Age*, came from two cold winds. One was the general economy, the other the spring and summer weather. But Hoffman sees the industry back to 70,000 pools this year, up to 250,000 in 1970.

Behind the boom, which is following population growth across the country, is the sharp decline in pool prices. A 20 x 40 foot pool that cost

GAME FARM run by chemical company Olin Mathieson gives farmers a chance to study a model hunting preserve—and Winchester-Western rifles in action.



about \$15,000 before World War II can be bought now for under \$5,000.

Lower installation costs—labor still claims half—are now resulting from prefabricated pools of wood, plastic liner, glass fiber, and stainless steel. Gunite concrete, sprayed out of a hose, is considerably cheaper than poured concrete. In addition, pool accessories, once custom-made, now come off production lines.

Small local companies make up the bulk of the pool industry (all in-the-ground—above-ground is classified as “inflatable” goods). There are over 4,000 producers now in the field (400 in 1951). Only about five top \$2.5 million annually.

But hot and heavy after the pool chemical business are such giant corporations as Johns-Manville, Olin-Mathieson, Monsanto Chemical, Pennsalt Chemical, and Columbia Southern Chemical. Laars Engineering and A. O. Smith are pursuing pool water heater business, giant oil companies like Esso and Gulf are noting the fuel pool heaters consume.

Boating, bowling, and swimming are the “comers” in the recreation sales field, but photography remains America’s favorite hobby, says *Photo Dealer* magazine. It estimates that 52 million amateurs take still pictures and home movies, though sales of 8 mm movie cameras and slide projectors have dropped slightly.

Consumer sales figures are tough to separate from industrial and professional volume, but 1961 estimates hover between \$400 to \$500 millions for cameras and film alone, and the market is growing—imports and all.

There’s also growth ahead, as relaxed but steady as Cary Middlecoff’s swing, for another old favorite—golf. Estimated by National Sport-Goods Association economist Richard E. Snyder at 4 per cent annually from 1948 to 1960, the growth rate has brought equipment sales up from \$60 million a decade ago to \$100 million-plus last year. By 1965, they should hit \$123.7 million.

Biggest equipment news is Cushman Motors’ electric car. Biggest golf course news is the par 3 course. Both will get more golfers on and off the fairways faster. Despite the shrinking supply of suitable sites, there were 6,385 courses (374 of them par-3’s) in operation last year.

Hard hit by imports, firearms—once No. 1 in recreation dollar volume—now sits in third place behind



CARPETED SLOPE on a treadmill is just one of many devices, large and small, aimed at cutting the off-season dip in seasonal sports equipment.

boating and photography. “Surplus military firearms from overseas definitely hurt us,” says Winchester-Western’s Vice-President W. Miller Hurley—but industry sales showed an annual 1.5 per cent growth rate to \$250 millions last year.

For 1965, NSGA sees \$268.5 millions. New ammunition to get the sales on target: more emphasis on skeet and trap shooting, more public hunting preserves, more lightweight guns. Remington Arms has a new rifle made largely of structural nylon, and President Maxwell Worden predicts a big trend to new materials.

Lift for sales

In winter sports equipment, NSGA reports a conservative annual growth of 9 per cent since 1954, sales of \$15.4 in 1960. Ski Industries America adds to this the \$5 to \$10 million going into the hills, plus some \$15 million in skiers’ uphill fees.

President Howard Head of Head Ski Company, Inc., Timonium, Md., reports his company alone exported 15,000 pairs of metal skis to Europe

last year, “more than the total number of high-quality skis imported.” In five years, Head has towed its volume from \$300,000 to \$3 million.

Americans have been answering the call of the wild in spurts, according to NSGA. Just last year, tent sales hit \$45.9 million (\$15.4 million in 1950). The trend is toward greater comforts: “cottage” tents, foam rubber mattresses in sleeping bags, portable cooking and lighting equipment. Du Pont has just pitched in with a new lightweight water-repellent nylon.

President L. W. Cousino of Hetrick Manufacturing Company, Toledo, the country’s largest tentmaker, says the major problem is finding facilities. That’s why the newly formed Camping Council is pursuing farmers, looking for camping club sites.

Just how soon the camping club will offer the facilities of a luxury marina, a bowling center with built-in supermarket, and a pool beside every tent, the Council doesn’t say. But with the recreation field expanding as it is, it shouldn’t be too long.

—CLAIRE TRIEB SLOTE

THOSE HIDDEN POUNDS

E x e c u t i v e E n e m y N o . 1

ARE YOU dangerously overweight without knowing it? Ask any executive this question and you'll probably get one of two answers: "I may be close to it, but I'm on a strict diet," or "Don't be ridiculous. Do I look overweight?"

But if you, like most American business men over 30, are in the second category, you may well be in trouble without knowing it. Just recently, top medical men and life insurance actuaries have taken a long second look at the relationship of body weight to life expectancy. Their conclusion is a startling one. Even modest overweight, they say, is a real hazard. And it's all the more sinister because it can go undetected, hence uncorrected, until too late.

Even your mirror can trick you. You can be overweight without looking gross, or even particularly heavy. Yet ten extra pounds, in some individuals, can be a lethal burden. And today scientists are turning up new links between those well-distributed hidden pounds and a chilling assortment of ailments ranging from arthritis to diabetes, from heart disease to rheumatism.

The unpleasant results of overweight show up less startlingly but no

They don't show in the mirror. The scales give only a hint. But the extra pounds are there—and so is the possibility of the "killer" diseases now linked to overweight. How can a man who's chained to his desk and a schedule of business lunches get back in trim, rediscover what it's like to tackle his job with zest and energy?

less significantly in the executive suite itself. Experienced company medical men are more and more convinced, as the evidence piles up, that overweight can actually be a brake on executive performance. Subtly, it can blunt the cutting edge of a man's mind, sap his energy, drain off his aggressiveness—to say nothing of the loss of buoyancy and sense of well-being enjoyed by men of the same age who are at their "best weight."

Paying the career penalties

These effects may not be obvious to the executive or his superiors, but they can count against him just the same when promotions are being considered. Then, it's the vigorous, ambitious, dynamic man who usually has the edge—not his solid, calm, comfortably easy-going colleague who carries just a little weight too much. "Those pounds you don't see," sums up one corporate medical director, "are Executive Enemy Number One."

How much added weight does it take to produce these effects? For a graphic answer, consider the grim relationship between overweight and mortality in the insurance companies' statistical tables. Men between 48 and 60 years of age who are just ten pounds overweight have a mortality rate 8 per cent higher than normal. Add another twenty pounds, and mortality jumps to 28 per cent over normal. Still another twenty pounds, and the rate registers 56 per cent above normal.

Again and again, the authorities stress the dangers threatening many executives who, when they look in the mirror, see no cause for concern. Listen to Dr. Beverly L. Vosburgh, medical consultant for General Electric at Schenectady, New York, who has examined countless executives in the course of his career. "Quite a few executives are under the impression that their weights are normal," he states. "But when viewed in terms of modern weight tables, they can be considered overweight."

What can the typical executive, chained to his desk all day and burdened by "homework" at night, do to cut down on his weight? First of all, say the medical men, he must realize

How Much Is Too Much?

What's the ideal weight for your skeletal structure? The figures below, derived from several million case histories, represent the upper limits of the new recommended weight standard for American males. Size of frame, unfortunately, cannot be measured precisely, though your mirror is a good guide. If in doubt, ask your physician.

	HEIGHT	WEIGHT WITHOUT CLOTHING		
		Small frame	Medium frame	Large frame
Maximum desirable weights for men over 25	5' 1"	112 lbs.	121 lbs.	133 lbs.
	5' 2"	115	125	136
	5' 3"	118	128	140
	5' 4"	121	131	144
	5' 5"	125	135	148
	5' 6"	129	139	153
	5' 7"	133	144	158
	5' 8"	137	148	162
	5' 9"	142	152	166
	5' 10"	146	157	171
	5' 11"	150	162	176
	6'	154	167	181
	6' 1"	159	172	186
	6' 2"	163	177	191
	6' 3"	167	182	196

Source: Metropolitan Life Insurance Co.

overweight is, quite frankly, a major occupational hazard of the business man's job. One 400-executive study pinned it down: In an average week the typical business man eats his way through two luncheon conferences, complete with cocktails, two business dinners, and two social dinners. Add up the extra calories right there—particularly if a big lunch and dinner should fall on the same day—and you see why his weight is bound to increase.

No easy answers

What's more, a business man's chances of shedding those extra pounds are very poor. A round of golf on Saturday or some week-end hunting and fishing won't do the trick—and that's all the real exercise half the nation's executives ever get. Too, only 30 per cent of them take more than eleven straight days of pure vacation a year.

At the same time, nature is also working against the executive. With every year over the age of 25, the average person's food needs drop by 1 per cent a year. Physical activity slows up, and so, imperceptibly, do

the body processes. Less and less energy (and food), then, is needed to keep them going.

The appetite, though, doesn't cooperate by lessening its demands. In fact, it stays as lusty as ever—because as the doctors explain, it is conditioned not by need but by habit. That's why the amount that a man ate yesterday, last year, or even ten years ago seems just right for today—unless he deliberately breaks the pattern. And after 30, a man's true food requirements start dropping fast. When that happens, the spare tire around the waist acquires an inner tube—and slowly inflates.

But if you've already started to put on weight, what's the best way to lose it? Should you go on a vigorous diet? Try massage and a Turkish bath? Or do your best to get a lot of exercise—perhaps trying vigorous workouts?

Medical authorities agree that there's just one place to start: You must re-train your appetite. Unless you're greatly overweight, they add, formal diets are unnecessary, and in some cases even undesirable. True, a diet will cut down your total food in-

take for a time. Once you're down to your desired weight, though, it's easy to slip back into the old eating patterns—and soon you'll be right back where you started.

The better way, then, is to check the recommended weight table for your age and frame (see chart), and gradually eliminate from your daily meals enough items to result in a one pound loss of food each week. One method is to drop a major item—permanently—from each meal. It might be bacon from breakfast, bread and butter from lunch, or rich desserts from dinner. Just make sure you drop enough to lose that pound a week.

While you're doing it, of course, you'll find yourself pretty hungry. But that feeling won't last long. Eventually, your appetite will adjust itself to living on less, and then you'll be on the way to losing weight the painless way.

Five rules for the office

You can even help yourself lose weight during business hours. The Life Extension Examiners, an organization which examines 20,000 executives a year for industry, has worked out a few ways to do it. When the coffee break comes, says Dr. Harry J. Johnson, the Examiners' president, swear off the snack and take a walk. If you can spare the time, take a swing around the block. Walking is good exercise—it works all the muscles in the legs, shoulders, trunk, and arms—and the stroll will give you an extra benefit by taking your mind off coffee and crullers.

At business luncheons, Life Extension recommends that you let others do the drinking. Just one ounce of whiskey, the examiners note, piles on 100 calories. Worse, it stimulates the appetite and weakens your will to spurn the fattening foods. As an added inducement, the doctors note that a drink gives you a quick boost in the restaurant but then leaves you with a letdown during the important afternoon office hours.

Skip hot soups at lunch, too. Like a cocktail, soup will tempt your palate, stimulate the appetite, and relax your inhibitions about eating more. Pass it up in favor of cold tomato juice and melba toast.

Lately, of course, more and more business men have been turning to balanced food concentrates to keep their weight in line. There are several good ones on the market, and their

value cannot be denied. But while these are useful adjuncts to cutting down your weight, few doctors recommend them as a steady substitute for three square meals. An unvaried menu, they point out, can become boring, eventually driving you to a huge meal of "real food."

The doctors add, though, that a glass of liquid food concentrate could be substituted happily for lunch or another meal on a regular basis. Its 250 calories are well below the usual meal average, and its bulk is sufficient to gratify the appetite.

Perils of the big push

Many executives, faced with the realization that they've got to do something about their weight, go about dieting with the same single-minded energy they're accustomed to giving to business problems. "If I've got to drop these pounds," they figure, "I might as well get it over with."

It's just this, however, that the medical men warn against: going overboard on weight-reduction. Some executives, intent on slimming down in a hurry, scrap lunch for a trip to the gym. There, it's fifteen laps in the pool, a visit to the steam room, and a few heave-ho's on the bar-bells.

To what effect? Probably, say the doctors, acute fatigue and frustration. As one medical specialist observes, "A muscle covered with a large layer of fat doesn't respond to the work load upon it. Hence, no toning of the muscle is accomplished until most of the fat is removed."

So vigorous exercise puts the cart before the horse. You must lose the weight first. As for the weight loss normally recorded after a steam-room visit, it's simply due to body fluids lost. The fluids are quickly regained, and so is the weight.

What about doing discreet exercises at your desk—bending the arms, flexing the legs and the like? Forget it, say the doctors. It won't help you lose an ounce. Their recommendation: a 15-minute walk taken four times a day. This won't aid in taking off weight, but it will help tone the muscles, contribute to an over-all sense of well-being. The same is true of massage.

How closely should you watch your weight? The executive who kept a scale in his office and weighed himself twice daily had the best of intentions—but he worried himself

by overattentiveness to ounces and pounds. Anyone's weight normally fluctuates during the day—sometimes by a good deal. An apparent loss in mid-morning is erased, becomes an apparent gain by midafternoon. Just before supper, weight may dip again. If plotted on a graph by ounces, the readings resemble seismographic fluctuations. A weighing ceremony once a week, without clothing, is more conclusive—and less damaging to morale.

Nibbling low-calorie foods (celery, carrots, lettuce hearts) during the day isn't much help either. The low-calorie foods get tiresome after a while, and higher-calorie substitutes soon appear. Then, too, the habit of between-meal eating has not been broken but strengthened. Instead of rejecting temptation, you are surrendering to it.

In any weight reduction plan, the executive should not overlook his wife. She can play a major role in the program. For one thing, nagging at the dinner table is permissible when a husband reaches for seconds. And as supervisor of the family kitchen, she can make certain breakfast is not too hearty. On the exercise

front, she can help by handing you not-too strenuous household chores. Recommended: mowing the lawn, light carpentry, gardening, and similar exercises.

As the household's food purchaser and menu maker, she can also select low-calorie foods, provide a balanced, varied diet, keep tabs on snacks and cocktails. When it comes to vacation planning, she can demand active vacations (travel, for example or perhaps some form of sport) rather than passive ones (sitting at home and reading).

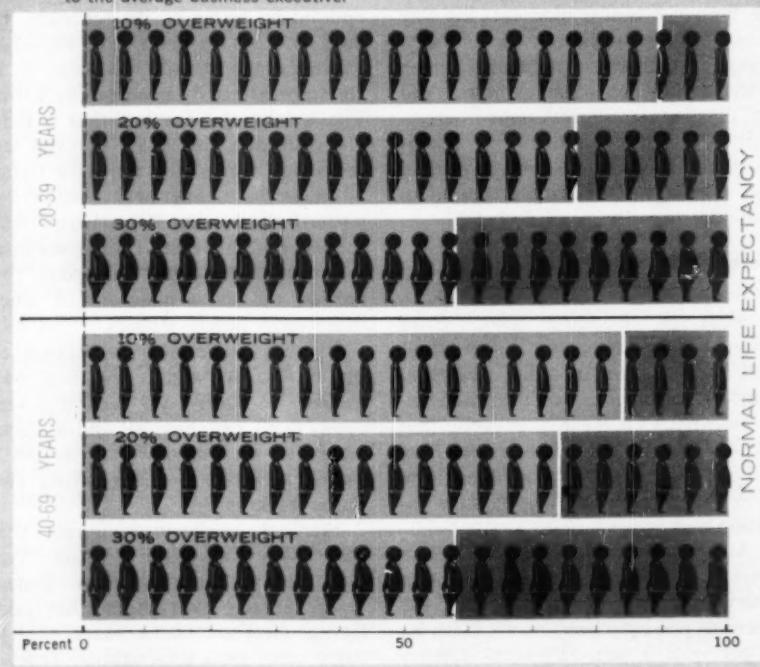
Can an executive really change his eating habits permanently? Can the 1.1 million overweight executives in America today shed those dangerous hidden pounds?

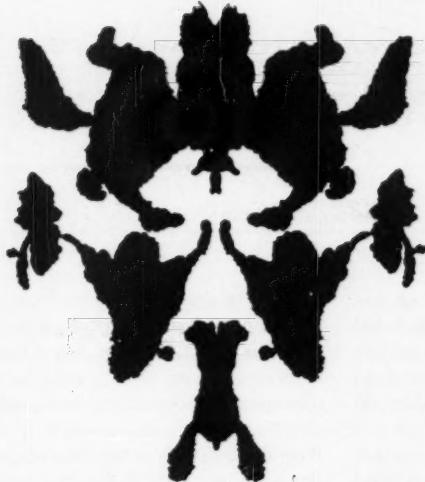
Yes, says Life Extension's Dr. Johnson. His conservative estimate: no less than 75 per cent of the overweight executives who are advised to reduce do "achieve significant losses of weight." When they've reached their recommended level, Dr. Johnson observes, they return for their next annual checkup with "a real bounce to their step and a genuine zest for living."

—JACK J. FRIEDMAN

The Heavy Burden of Overweight

How much can even moderate overweight cost you in terms of life expectancy? The chart below shows exactly what percentage of life expectancy can be lost to the average business executive.





In management's eyes, he may seem a kind of witch doctor versed in strange rites, mysterious incantations, and cabalistic ink-blot tests. In reality, says this renowned business thinker, the "magic" of the psychologist is so closely allied to the art of management that it can prove a vital aid to corporate vigor and growth.

The Myth of the Psychologist

CLARENCE B. RANDALL

INDUSTRY is a strange mixture of mind and matter. Its external manifestations in society are almost entirely physical. It is the end product that creates the lasting image. The public judges us by what we turn out, without pausing to inquire into the qualities of intellect and imagination that went into its creation. Our contribution to the world knows no other measurement than tons or yards or gallons or miles-per-hour. Even when dollar value is the unit of computation, this is merely a short cut to the counting of things.

It is little wonder, therefore, that management itself is sometimes led into the errors of placing too much emphasis on engineering concepts and of submerging people in the general flotsam and jetsam of things. We behave at times as though we thought that ultimate perfection lies in the products themselves, and that the mere massing together of greater power, increased tensile strength, and higher accuracy of chemical analysis is the final goal of our effort.

Yet no matter how gaudy the gadgets that we ship at the moment, they are in themselves lifeless and inert. The future lies not in the prod-

uct, but in the minds behind the product. It is the idea that is paramount. Nothing that we can offer to the public has greater excellence than the original thought which called it into being.

We have been slow in sensing that, coincident with the all but supernatural advance that has come in the physical sciences in our day, the social sciences have made enormous progress also. We have been studying man intently at the same time that we have been studying matter.

Leading the field for the social sciences is psychology, which quite without warning deserted the classroom, leaped the campus fence, and offered itself as an everyday working tool. Consulting firms of industrial psychologists were formed for the purpose of channelling into the business community the wealth of

new concepts and techniques in human relationships which had been developed in research centers at the universities.

This startling development met a three-way reaction among business men. One segment of management ignored it completely, not deigning even to open a single eye toward it. A second greeted it with jeers, deeming it the joke of the year. A third embraced it forthwith, but did so with an unreasoned fervor that was all but lethal.

Already, however, a sufficient body of experience has developed in the use of psychology in industry to suggest the wisdom of pausing to take a sound second look at this phenomenon, in the hope that the mythology may be stripped away from the reality.

Obviously, a deeper understanding of the human aspects of industry is of supreme importance. An effort to enlarge our insight into the motivations and conduct of those responsible for the productive processes is long overdue. Our economy rests not upon materials and machines but upon the creative minds and supple wills of those who conduct our enter-

This is the last in the Folklore of Management series, written for DUN'S REVIEW by the former board chairman of Inland Steel. It will be published this fall as a book under the imprint of DUN & BRADSTREET INC., and Little, Brown & Company.

prises. No new attack on the nature of matter by the physical scientist can transcend in significance a further searching inquiry into the infinitely variable manifestations of the human spirit.

Each of us can easily call to mind sad cases of loss in organizational effectiveness which were caused solely by human failures. Comparable breakdowns in equipment would not have been tolerated, but because people were involved instead of machines, nothing was done.

Consider the two executives, for example, who had parallel areas of responsibility. Their offices were side by side, and they could see one another through the glass partition. Yet for the period of an entire year neither spoke to the other. If communication was absolutely necessary, one would drop a curt note on the desk of the other when he was out.

Or take the foreman who was by all odds the best man in the plant in his line of work. When he was asked to become the head of his department, he refused the promotion. He lacked the courage to assume responsibility. He preferred the security of mediocrity.

Or consider the reverse situation. Take the all-too-common case of a young man who is such a universal favorite that he is advanced too rapidly for his own good. Because of his superiors' lack of foresight, he is catapulted into a position of serious responsibility before he is ready for it, and the inevitable disaster follows. In public humiliation, he is compelled to step back into his old job to await further seasoning.

In the realm of human relationships, tragic errors of judgment may be committed by management men of diametrically opposite types. There is the boaster, the man who is supremely confident that he is equal to any situation. It is his special pride that he knows how to handle people, and that if heads have to be knocked together he is just the fellow who can do it. Unhappily, often all that he really possesses is the sublime assurance that is born of ignorance. He is completely undaunted, but only because he is insensitive to the consequences of his own reckless conduct.

At the other extreme is the man who is desperately conscious of his own lack of competence. He is so sure that he will make the wrong move that he takes no action at all.

The future lies not in the product, but in the minds behind it. Nothing that we can offer the public has greater excellence than the thought which called it into being.

Either type may measure up capably in the familiar pattern of his day-to-day responsibilities. Neither has the inner resources required to face challenges that are surcharged with emotional overtones.

It is precisely under circumstances such as these that the professional psychologist can make an important contribution. His advice on running the plant would be of little value. In fact, he is seldom himself a good administrator, even in his own affairs. But he does understand human nature. Standing at the side of the responsible officer, he can help take the organization through a personnel crisis with minimal damage to morale. Responsibility is never lifted from the executive in charge, but he will take his decisions with new insight, and with reinforced courage, by virtue of the counseling that he has received.

Why then has this new profession not advanced further and faster in industry?

In my opinion, the fault lies with management. We have turned to the psychologist in the same spirit that the savage turns to his witch doctor: It is all black magic as far as we are concerned, but if it works, we are willing to try it. Let the professor perform his miracles if he can. It surely can do no harm for him to try. But let him, by all means, leave us out of it.

This in part reflects our own educational patterns. Few of us bothered with the social sciences in college. We were too busy with mechanical engineering or accounting or those other practical subjects, so-called, which would obviously be required in that fine job we hoped to get in a big company.

When we advanced to the point where we ourselves went to the colleges to interview members of the senior class, we continued myopic. We looked at the young man's record and tried to discover what skills and factual knowledge he had acquired which would make him immediately useful. We had a job to fill, and we wanted a man who was ready to go. We struck the seniors off our list who had majored in the social sciences. We rated the study of psychology as an educational fad, just so much wasted time.

It is therefore an abrupt about-face for most men in management to adopt the concept that prudent application of this new science to the problems of administration can make a realistic contribution to the company's success. Wise leadership, however, knows that this is an advance which is bound to come, and that the sooner it comes the better.

Here is how to take the plunge.

Act only under competent advice. Do not reach blindly for a random assortment of tests bearing impres-

Our economy rests on creative minds and supple wills. What scientific endeavor could be more significant than searching inquiry into the manifestations of the human spirit?

We have turned to the psychologist in the spirit of a savage turning to his witch doctor: It is all black magic as far as we are concerned, but if it works we are willing to try it.

sive scientific labels. Rather, engage the best psychologist consultant available, a man of the highest professional standing, and let him formulate the plan, realizing full well that there must be a long period of development before results can show.

Then the man at the top must set the example. He must offer himself as the first subject and, by so doing, express his strong faith in the undertaking.

The results will astonish him. The consultant will hold several conferences. Quite to the president's surprise, these will turn out to be not only pleasant but rather exciting. He would not be where he is in the company if he did not have an inquiring mind. In spite of himself, the process will intrigue him. Inwardly he will begin to ask himself questions, and a wholesome current of self-analysis will set in.

When, in the final meeting, the consultant gives him a report about himself—probably an oral report—it will make the executive feel very humble. Being essentially honest, he will sense an uncanny accuracy in this appraisal of his strengths and his limitations. He will then understand completely why a similar appraisal of the qualities of his colleagues and subordinates would be an extraordinarily useful guide in the exercise of his own judgment about them.

The program is then put quietly

into practice in the company, without blare of publicity. No advance claims are made for it. One by one, senior members of management are invited to have similar conferences. Gradually the process moves downward through the various echelons. Rumors will start, but they will fade in a short time when it is seen that no startling changes follow the interviews. Soon it will come to be said that this new man is a pretty sound fellow, well worth talking to.

Never should a man be required to see the psychologist. Being put on the list will, without compulsion, come to have an air of distinction about it. The battle will be completely won when various individuals privately seek out the consultant for advice on their problems at home.

When such a program is undertaken, the company sets out, for the first time in its history, to take a human inventory. It makes an intelligent effort to bring together in one place an objective statement of its most significant assets and liabilities—the talents and the limitations of the individuals who constitute management.

Panning for gold in a good stream could not be more rewarding. Men of unusual gifts hitherto almost unknown to the senior executives may be discovered—men who are wearing their lives out in pedestrian tasks merely because their superior officers

lack discernment. No individual, after all, can promote himself. His quality has to be recognized before he can take over the job for which he is suited.

Or, conversely, men will be found who are seriously overextended because a supervisor, in misguided enthusiasm, has given them assignments for which they are not suited. There will be less guesswork and fewer snap judgments about people, and the art of placing the right man in the right job at the right time will be greatly advanced.

There must at all times, however, be one controlling *caveat*. Nothing which the psychologist recommends may be taken as final—and he will be the first to agree that this is as it should be.

Never may the responsible officers divest themselves of their ultimate obligation to make the basic decisions themselves.

They will proceed with great caution if the psychologist feels that a proposed promotion is unwise. Nevertheless, they must, in the last analysis, act in accordance with their own best judgment after giving due weight to his advice.

If the psychologist urges that a particular promotion be made, the responsible officer may feel freer to disregard his advice than when adverse advice is given, for the executive knows the operation better than does the consultant. The psychologist's experience gives him skilled insight into human capability and motivation, but the officer's experience gives him a more precise understanding of the responsibilities involved. He must take a calculated risk if he believes it wise.

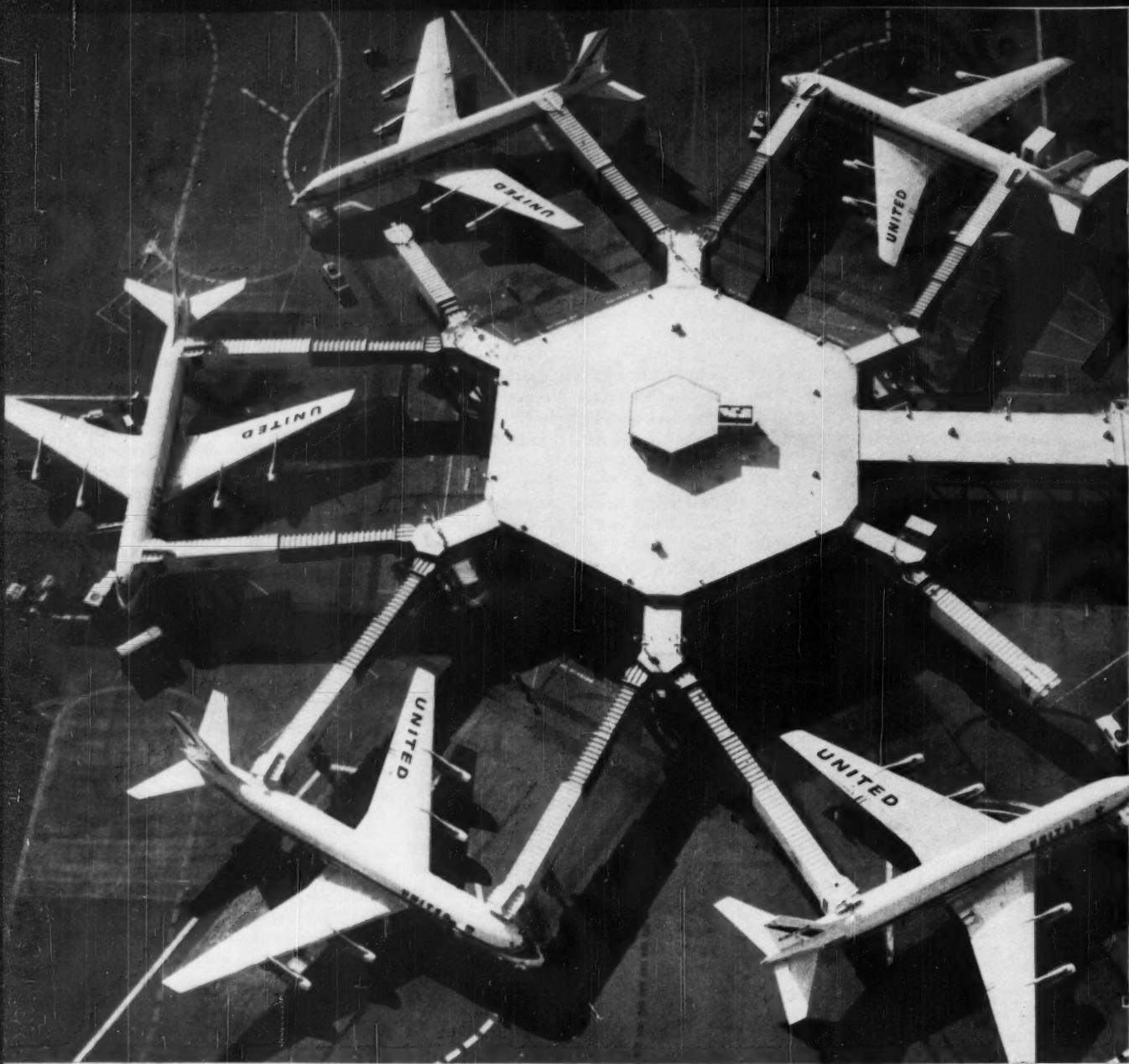
Actually, the wonder is that management has not universally turned to modern social science earlier—and with the same zeal it displayed in embracing so many of the other sciences.

No longer does anyone doubt that the health of the working forces is a matter of deep concern to those who direct company operations. Medical staffs, clinics, and voluntary physical examinations are now the rule rather than the exception.

Why should we not likewise employ the skill and wisdom of the trained psychologist as we make ready for the future through the development of our human resources?

END

Never should a psychologist's recommendation be taken as final. Never may management divest itself of its ultimate responsibility to make the basic decisions.



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Vague, wordy, and imprecise is the "accounting" that comes from most personnel directors. But it needn't be. There's a way for any company to gage what its investment buys.

Cash in on Your Personnel Dollar

"BY THEIR WORKS shall ye know them," answered the vice-president in charge of personnel at one big manufacturing company. His reply to a survey question on evaluating his department's activities has a fine Biblical ring. There are signs, though, that companies today are listening more for the click of adding machines that can give them a dollars-and-cents evaluation of what their personnel directors do.

Judging from the results of a recent DUN'S REVIEW survey of top personnel executives in major U.S. corporations, they have a long wait. "We honestly try to gage the effectiveness of our program," commented the manager of employee relations in a major Eastern food company. "But it's hard to develop a formula that gives you any concrete measurement."

The DUN'S REVIEW questionnaire concentrated on two main points:

- how personnel directors evaluate training, employment, and selection programs, communications, and all the other activities that fall under their jurisdiction
- whether or not they give top management a financial report on what the money they spend accomplishes.

Many personnel administrators seem to depend on a kind of mystique when it comes to estimating the profitability of their departments. Relatively few have developed a sophisticated system of translating personnel functions into balance sheet

language. But a handful say they have succeeded, and others are experimenting. George W. Peck IV, headquarters personnel manager for International Telephone & Telegraph Corp., reports his company is trying to put a dollar value on *all* personnel department activities.

Statistics on turnover and absenteeism are common throughout industry, though many smaller concerns overlook even these. One small

service organization, with a white-collar force of about 75 persons, instituted a bonus incentive plan to reduce absenteeism and lateness—without bothering to compute its absenteeism and lateness rates and compare them with other small companies in the same city. A year later, after it had handed out \$1,000 in bonuses for punctuality and attendance, it realized there had been no change in the over-all number of latenesses or absences. It turned out the company had always had an extraordinarily good record in comparison with other businesses in the same field, and there was little likelihood that any substantial improvement could be made.

But for companies with unusually high absentee rates, bonus plans are both an incentive for employees and a sure gage of dollar savings for top management.

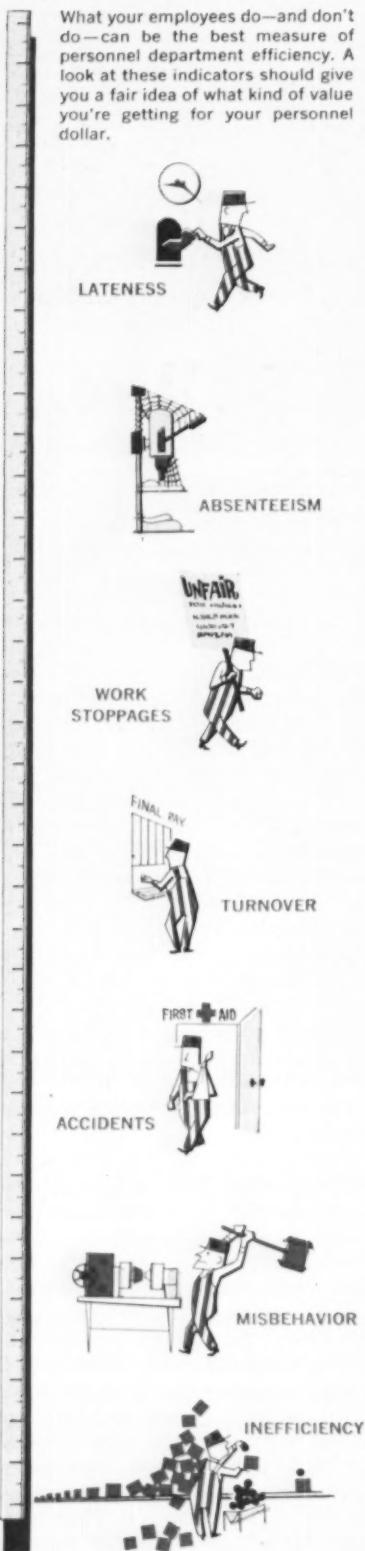
Finding a realistic way to measure training stumps most companies, but a few say they've found a solution. Under the system that statistical analyst J. H. Norman, of Temco Aircraft Corp., Dallas, has worked out, supervisors are asked to figure conservatively the amount of time that employees spend using certain skills. A dollar value is placed on this time, based on the minimum average wage of the workers. Then they're tested for their skills, trained, and tested again. Next, the percentage improvement in skill is computed. Then Norman sets to work with the formula

What Price Absenteeism?

One study by *Industrial Relations News* sets the average rate for white-collar absenteeism across the nation at 2.2. (The newsletter uses a common formula: Divide the number of man-days of absence during a given period by the average number of man-days worked, then multiply the result by 100.) A company with a 3.5 rate that drives it down to the national average reduces absences by almost one man-year, saving about \$4,200, annually—the equivalent of a stenographer's salary. After subtracting \$1,800 for bonuses and the program's administrative costs, net savings come to \$2,400.

Yardstick for the Personnel Department

What your employees do—and don't do—can be the best measure of personnel department efficiency. A look at these indicators should give you a fair idea of what kind of value you're getting for your personnel dollar.



he's devised: Multiply the minimum average hourly wage by the number of hours the skill is used; multiply the result by the actual percentage of improvement, and the result of that by the number of employees in the class. Subtract the cost of training to get the net savings.

By upgrading the blueprint reading skills of 102 jig builders by 19 per cent, Temco got annual net savings of more than \$41,000. Another training program for inspection personnel produced annual net savings of over \$21,000. This was a small class, but the men in it improved their job skills 68 per cent. A follow-up six months later showed they remembered almost everything they'd learned.

These two classes alone saved Temco close to \$62,000. To up its profits that much, it would have to sell nearly \$2.5 million more a year.

A recent training program for supervisors at Colgate Palmolive Company's Jersey City plant pushed lost-time accidents down by 36 per cent—and here is a case where a training program can be judged by statistical measures in common use: Most plants keep safety records because their accident rate is reflected in the premiums on workmen's compensation and liability insurance. Colgate Palmolive found that a whopping 40 per cent of the accidents in the plant were caused by falls. Supervisors went through some special safety instruction on falls and were coached on how to handle discussions on preventing them. After they had conducted a series of safety meetings for workers under their supervision, the number of accidents caused by falls dropped 22 per cent and the frequency rate for all accidents was cut by 36 per cent.

Auditing the accidents

How much does plant safety affect the balance sheet? One company estimates that it loses \$2,000, on the average, each time an accident occurs. With an accident frequency rate of 4.3 per cent, compared with an average of 7.5 per cent for its industry, this company can count its good luck—and good management—in dollars. If its rate were at the industry level, it would have 40 more accidents a year, at a cost of some \$80,000—not including the injured workers' reduced income, and the loss of lives and limbs.

It's far harder, companies report, to get a comprehensive picture that shows the value of all personnel department activities. General Electric Company is testing its Employee Relations Index, designed to measure the over-all effectiveness of its programs, in five (out of a total of 105) departments. The ERI is made up of eight barometers of employee behavior:

- Absenteeism
- Separations from the payroll (of all types)
- First visits to the dispensary for occupational reasons
- Ideas submitted via the suggestions system
- Participation in the company's insurance plan
- Grievances submitted through the formal grievance machinery
- Work stoppages
- Actions incurring disciplinary suspension.

Data for the first five indicators are collected for a thirteen-week period. For the remaining three, a 26-week period is used so as to get sufficiently stable information. The eight indicators have been combined by mathematical formula into a single index, with the equation set up so that the average plant and the average work group within the plant have ERI's of 100. The formula, explains GE's Willard V. Merrihue, "is a statistical method of adding apples and oranges by totaling their sugar content."

The company has set up computing tables and simple forms for collecting raw data from the work groups. Non-technical personnel can compute a group's ERI within minutes once the summary statistics are in hand.

Crucible Steel Company of America uses the same approach in a less refined form. Crucible's Industrial Relations Index is a systematic monthly report that gives the figures on 28 different aspects of personnel department activities. These include: the average weekly wage, the number of wage employees, man-hours, premium overtime cost, applicants for employment, grievances pending, accident frequency rates, training hours, and suggestions received. The items are listed under seven broad categories: employees, wages and hours, employment, labor relations, safety, supervisory training, and suggestions. The list runs down the left hand mar-



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Four Pillars of Personnel

Many personnel directors questioned by DUN'S REVIEW say that no sound evaluation can be made unless you start out with a set of objectives. A good way to begin is to examine just what the personnel department is doing, and why. Half in jest and half in earnest, the personnel director of a major textile company offers a breakdown of what lies behind various functions. Personnel directors, he says, do:

- **What is required by law, contract, or competition.** Here, objectives and results are fairly easy to set. You try to administer these efficiently and fairly to gain a profit for your company. For example, you help deserving cases draw unemployment benefits but contest non-deserving ones to keep your tax rate low.

- **What appeals to their own personal interests.** These areas are difficult to determine objectively because all of us rationalize some value into our own pet projects. Sometimes the only answer is to state frankly: 'We are going to do this because we want to. We hope it produces results, we will try to measure, but we aren't going to kid ourselves or make claims we can't prove.'

- **What Joe said he's doing for his people.** This one is murder because it usually comes from the president and few of us in personnel have the guts to question what his buddy said. About all you can do is decide by pre-agreement the tests you will apply to any project, his or yours.

- **What you believe will solve a problem.** These cases have real objectives. Measuring results is easy because they either do or do not solve the problem."

This particular personnel director submits a monthly statistical report and a quarterly narrative report to management. "By this means," he says, "we 'sell' continuously. Our best sales tools are questions we pose often and in person to our division managers, department heads, and supervisors. Are we meeting your needs? What are we doing that can be eliminated? What new problems can we help with?

"We back this up by analyzing and discussing with them data from our records, and by keeping up with research literature. Thus we spot conditions and are able to help them in situations they thought hopeless. Always the emphasis is on making them look smart."

These objectives, incidentally, should include an estimated budget for the personnel department. For some years, the University of Minnesota has surveyed personnel department budgets to get some sort of yardstick against which individual personnel departments could measure themselves. The survey, handled by Dr. Dale Yoder of Stanford University's Graduate School of Business, and Roberta J. Nelson of the University of Minnesota's Industrial Relations Center, is considered a standard for the field.

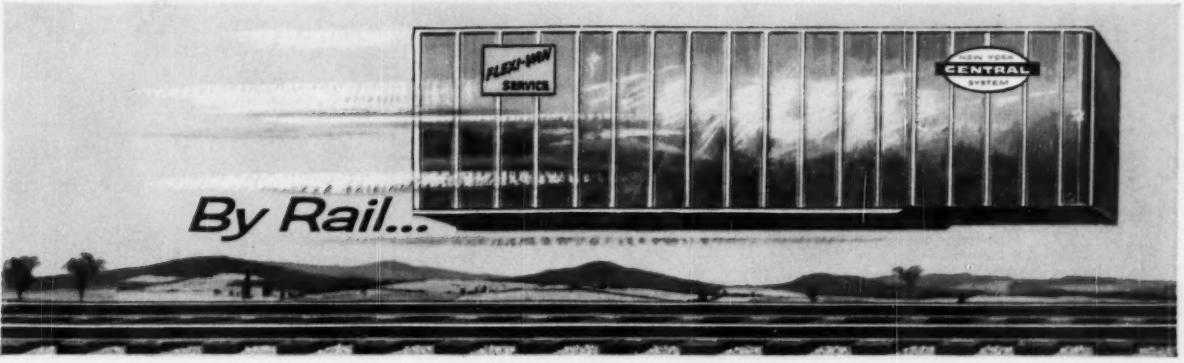
gin of one sheet of paper (representing a single plant) with space left for cumulative year-to-year averages and averages for the previous year.

One plant can be compared with another or with the entire company. One year can be measured against the previous year. Crucible uses the index to turn up situations that need immediate attention.

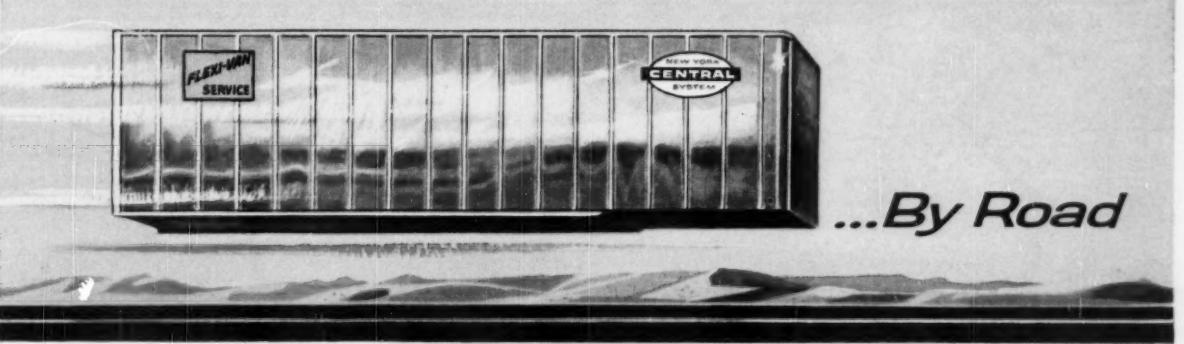
O. A. Ohmann, employee relations manager of the Standard Oil Company (Ohio) in Cleveland, says the

company has recently begun working out month-to-month management indices "which will give us an idea of trends and help us to spot problems before they get critical." The project is still in the experimental stage, and the company doesn't expect to complete it before 1962.

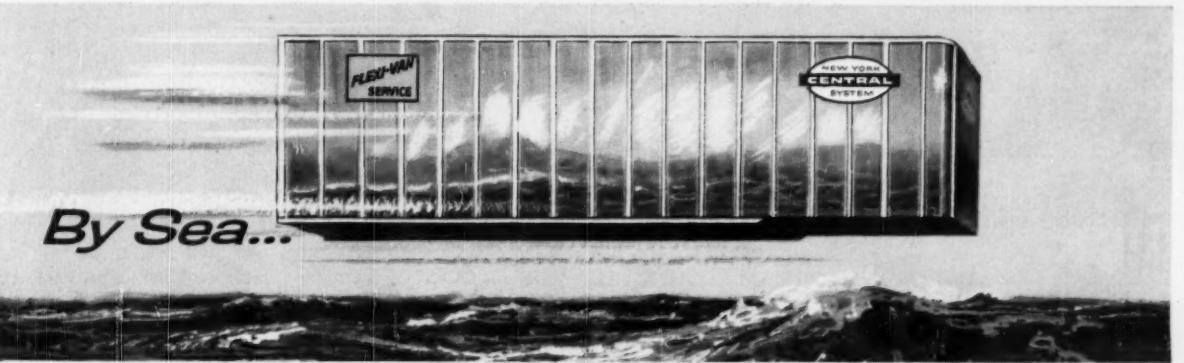
A major West Coast aircraft maker is heading in the same direction. Its personnel director reports a task force is now drawing up an index similar to GE's. He also just added a



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research man to his staff "to heighten our evaluation capacity."

Some companies use a variety of methods to judge how things are going. J. M. Ewell, vice-president of manufacturing and employee relations, Procter & Gamble Company, lists:

1. **Auditing:** During periodic visits to the various plants, a spot check is made of how training, employment, and other functions are handled. Records are reviewed to see if employee plans and benefits are correctly administered. Employees are interviewed for their reactions. Separate audits are made periodically of each major industrial relations area.

2. **Indices:** Statistical reports on absenteeism, turnover and so on are matched with Government and company data to see how each plant is doing. They include wage and employee benefits data.

3. **Surveys:** The company circulates questionnaires and also interviews employees to find out what they think of certain activities—the communications program, for example. This is in addition to surveys of their general attitude toward the company.

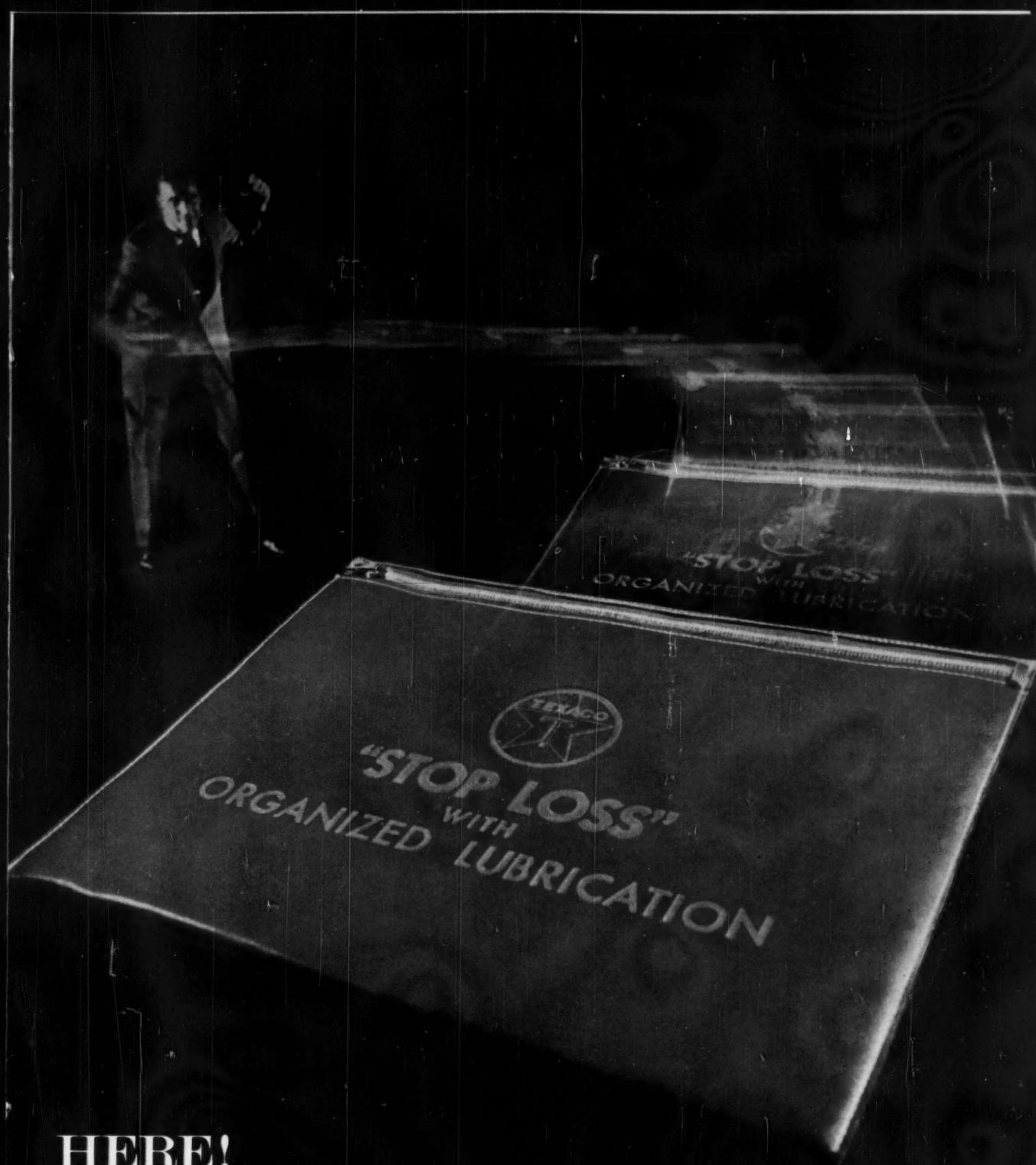
4. **Applied research:** New activities are often tested in one or two plants which become control groups if the programs are put into effect throughout the company.

5. **Personal judgment:** Non-resident line and staff organizations are in close touch with all plants. They get the feel of the general state of industrial relations, in addition to checking the formal reports.

In large companies, the personnel department often submits a detailed annual report to management. Sohio's Ohmann says his department gets up a 100-page report and a 25-page summary. The report reviews activities over the past year, listing specific objectives for each, including target dates and standards of accomplishment. "Management by objective," says Ohmann, "helps keep our functions in focus."

No system of measurement is really precise, admit the executives surveyed by DUN'S REVIEW. Nevertheless, a number of top personnel directors offer compelling arguments to prove you can make a rough evaluation of results. And that, management warn, is a necessity in these cost-conscious times.

—ALBERT C. LASHER



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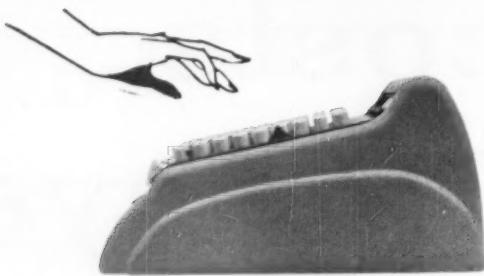


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EXECUTIVE BOOKSHELF

Brief Reviews of New Business Books

Cheering the Consumer On

THE SPENDERS by Steuart Henderson Britt. McGraw-Hill Book Company, 330 West 42nd St., New York 36. 293 pages, \$4.95.

In a book that should warm the hearts of marketers and advertising men, the author tells consumers that Vance Packard's "hidden persuaders" are really their own inner voices—and well worth listening to, at that. His style is lively, readable—and persuasive.

A New "Organization Man"

THE MEASURE OF MANAGEMENT by Eliot D. Chapple & Leonard R. Sayles. The Macmillan Company, 60 Fifth Avenue, New York 11. 218 pages, \$6.50.

Thoughtful and thought-provoking, this study refutes critics of the modern company who say that, by its very nature, it condemns the individual to a life of stress and abysmal conformity. More important, the authors propose a dual approach to organization that emphasizes both scientific management and a concern for human values.

The Big Hunt

MANAGEMENT'S TALENT SEARCH by P. W. Maloney. American Management Association, 1515 Broadway, New York 36. 160 pages, \$4.50.

A thorough outline of coordinated recruitment programs designed to discover promising professional personnel. The emphasis is on campus recruitment, not raiding parties into rival territory.

Programming for Tomorrow

THE NEW SCIENCE OF MANAGEMENT DECISION by Herbert A. Simon. Harper & Brothers, 49 East 33rd St., New York 16. 50 pages, \$2.50.

Executive decision-making, writes Simon, will soon undergo a change as radical as that which the computer has brought to other processes of business and industry. His reassuring discussion makes the future seem considerably less forbidding than it often appears.

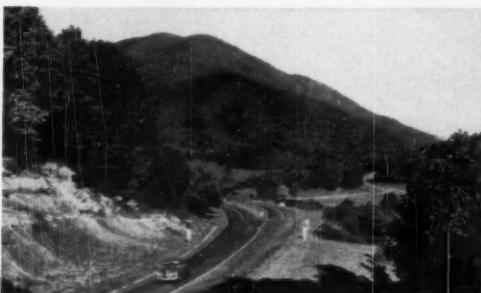
—P. H. D.

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One of the nation's largest manufacturers of plastic blown bottles, Imco Container Corporation, a Division of Rexall Drug and Chemical Company, began operations at Harrisonburg, Virginia, in January, 1959. The plant is now working 3 shifts around the clock . . . a typical example of how companies flourish in Virginia's "growth climate."

Virginia was chosen for the Imco plant because of freight savings in serving East Coast customers . . . availability of hard-working, conscientious labor . . . and the advantages of Virginia state tax laws. Company officials also praise the all-out cooperation of the local industrial development corporation. Imco has its own employee training program and is proud of both quantity and quality of production. Management sums up its Virginia operations as "highly successful."

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Virginia Dept. of Conservation

and Economic Development

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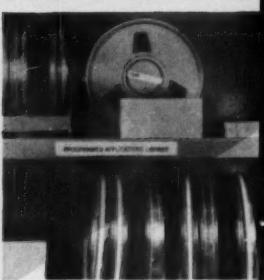
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Programming is a demanding process. And it takes time. It took, for example, the equivalent of 45 man-years to develop the FORTRAN (FORmula TRANslator) systems which IBM released in 1957. Containing 75,000 programmed instructions, FORTRAN is still the most widely used system for solving scientific problems on IBM computers.

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IBM programmers are now implementing COBOL*, the CCommon Business Oriented Language translator. This, like the IBM Commercial Translator introduced last year, is a programming system in which everyday business language becomes the language of computer instructions. The result of all these machine languages is a saving in programming costs that might easily equal 40% of a customer's data processing system investment.

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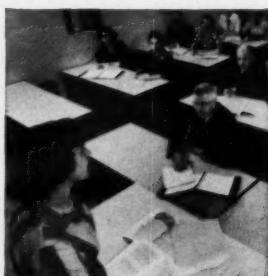
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This efficient communications network is but one of the many reasons why the Rock Island is known as the railroad of planned progress. In addition you get the benefit of push-button yards; better, faster piggyback service with ramps that blanket the system; strategically located direct interchanges; experienced, conscientious personnel; and modern, trouble-free equipment. All of this adds up to fast, efficient shipping.

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*How can we best combat the fears of
automation now rampant in plant and office?*

Management's Fight Against "Technophobia"

A. M. SULLIVAN

IF change is constant, resistance to change is constant, too—a negative force, an uneven brake on any forward movement. Today both forces are readily apparent at all levels of executive and supervisory management. R&D men are pitted against line executives, industrial consultants against plant managers, systems men against production expediters. Yet much of the conflict, costly in both time and morale, would vanish if top management paid as much attention to psychology as it does to technology.

The acceptance of change is primarily a problem in communication,

for suspicion is the child of ignorance. If employees—manager and worker alike—were told what is coming, when it is coming, and how it will affect them, half of the resentment and anxiety could be eliminated.

The opposition to technological innovation is seldom rational. The negative reaction is not so much resistance to progress as to unscheduled actions which challenge ego or status.

Progress is a pulsating spiral, expanding and contracting under the pressure of new ideas, new resources, new techniques. Technology today affects at least ten aspects of our com-

mercial and social existence. The net gain realized in the past decade has been enormous, but it has created a difficulty for almost every benefit—obstacles that in many instances could have been removed by foresight, by not taking too much for granted, by good communication, and plain understanding of the basic human emotions.

In each of the areas influenced by the technological revolution the obvious remedy is a planned program of information across the board to stockholders, officers, employees, unions, customers, suppliers and the public:

1

Top management in an old establishment, especially a family-owned enterprise, is often reluctant to accept a change affecting product, methods, or markets. Yet there is scarcely a company in business today making the same product for the same market in the same way it did ten years ago. During the 1957-1958 recession, DUN'S REVIEW asked 367 manufacturers what they planned to do about obsolescent equipment. Many stated they would have to have new machine tools as an aid in lowering costs and meeting competition, but they mentioned the lack of capital as a major difficulty. Those that were closely held or family-owned stated their reluctance to accept a broader base of public ownership. It is in this very category, however, that many of the shotgun and tax-haven mergers frequently occur.

Actually, it was more obsolescence of management than machinery that led to absorption and oblivion for family enterprises with a three- or four-generation heraldry. Alert management in any medium-sized manufacturing or service company needs only to follow the research and development patterns of larger companies, which often find it profitable to all concerned when they sacrifice basic patent protection and share the benefits of new materials and techniques. Magazines provide current data, designs, and case histories on money-making ideas that are free for the asking. But the eyes and the ears of management must be alert to what is going on. And management must inform all its executives and officers when the decision to launch a new program has been made. Selective secrecy is no balm to the ego of men left "out of the know."

2

Money talks, and no R&D project can move ahead on a sensible basis without a definition of the objective, some indication of the cost of achieving it, and a reasonable understanding of how much and what type of financing is required. Since the odds are always against a new product, these costs must include the expense of enough market research to test con-

sumer acceptance, dealer cooperation, and the attainable profit margin, as well as all the costs from design to point-of-sale promotion. The budget for any idea should always include enough money to pay for one serious mistake.

3

Research must have freedom of action. It must be responsible to top management for its direction. Years of fact-finding effort can be wasted when there are intermediaries with the power to intervene, pigeonhole, or thwart the results. The technological revolution of this century began in the laboratory, which should never be a barn for sacred cows. Both the problems of scientists dealing with the secrets of nature and those of psychologists dealing with the whims of humanity need objectivity.

When the results of research are thrust upon a departmental executive who is unaware of company plans and policy, he is apt to offer a shrug of the shoulders or a snide comment instead of a word of enthusiasm. The communications effort should first be directed to the middle-management executives who must interpret the wishes of top management.

4

There was a time when the office manager was the official whipping boy, the man who would do what he was told, take the blame for management errors, and perform a thousand and one assignments. Most larger companies—where office management was once considered a maintenance expense, the first to suffer under crash decisions of economy—have today made amends. One company with nineteen branch offices called their managers to Chicago for a month's retraining, converting fear into confidence with a few days of intensive instruction on the function of new equipment. Top management is beginning to learn that its estimate of middle-management functions has been foggy, and its attitude toward loyal and sometimes bewildered people crass and cruel.

Too often, the office has been the haven for executive misfits, in a family management, for "island emperors" lorded it over clerks performing

meaningless and obsolete functions. Yet it has also been the place where talent is permitted to rust, and expenses are encouraged to mount.

To some degree, the sales department has suffered from singular neglect, especially when a new product replaces the old. Attention is given to the effectiveness of the commissioned sales staff, but the salaried house salesman, often a mediocre performer, is permitted to starve on husks of the old catalogs. Yet upgrading run-of-the-mill salesmen is a necessity when new lines are introduced. It requires intensive retraining, with field refresher effort and sales engineering guidance. Most of all, the entire sales staff needs advance information from the top, to eliminate speculative gossip with customers about product shifts and service procedures.

5

Technology upsets production routines with its improvements, and affects the mental attitude of the man at the lathe, loom, or press. This is a most sensitive spot in industrial relations, especially when mechanization, automation, or a change in the product line means a shift in jobs and skills, and perhaps a temporary dip in take-home pay. Unless the worker is informed promptly and candidly, he will believe the worst of the washroom scuttlebutt.

The U.S. Department of Health, Education and Welfare points out that management and the labor unions have an equal responsibility to advise the skilled worker of the reason for job changes and the necessity for retraining. A skilled riveter may resent being trained as an apprentice welder, but once he knows the inevitability of change, he will alter his attitude from resentment to cooperation. The same is true of the white-collar employee, as data processing equipment and office mechanization change his routines. Creatures of habit must be re-oriented to their different surrounding, yet the task isn't too difficult if they know the benefits.

6

In this generation of plant management, there is a new man in action—the systems specialist—who frequently gets in the hair of the plant engi-



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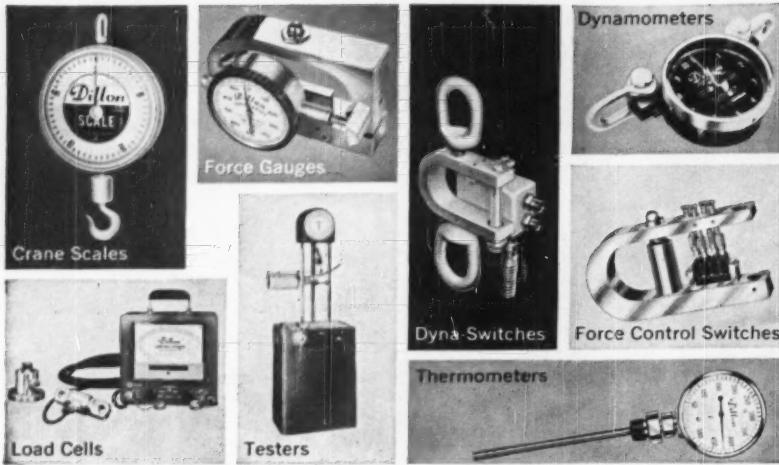
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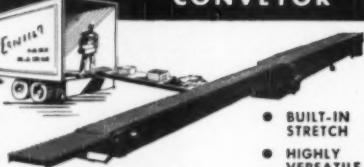
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neer or the operating vice-president. The duel of wits is a variant of a continuing staff and line wrangle, in which vanity, prestige, and self-justification are involved. When the systems man is academic and aggressive, and the line executive is insecure and resentful, there is bound to be conflict, much of it unnecessary, costly, and disturbing to company morale. The irritant could be removed if both parties were brought together at the earliest stage of the new program. Here is where top management needs a lesson in basic psychology, especially an understanding of the instincts which motivate men in their acceptance or rejection of an idea.

Any unexplained situation can set a rumor buzzing in the factory. For instance, when a public relations executive escorted a group of visiting Benelux business men through one plant, as a part of a Government good-will program, the rumor started that the plant was moving to Europe as part of a cost-saving program. Again, a photograph of a new power punch, taken at the request of the supplier who needed an action shot for an advertisement, led a shop steward to tell the union that a time study for piecework was under way.

A notice on the bulletin board or a statement to the foremen would have prevented these seeds of discontent and anxiety from scattering about the premises. Industrial relations are improved when union officials are called in and given candid information on coming changes in product, production, methods, or work rules.

7

Technology will influence customer relationships, and the changeover of product or method cannot be taken casually. Planning, design, engineering, sales, and promotion expense are all at stake when the customer makes his decision. If he has used a product for a period of time, he may resist the change in format or design—or he may welcome the new look.

Engineering improvement may create a profit potential in reduced costs, but will it jeopardize the customer's opinion? This question may belong in the realm of market research, yet there is the factor of good will and sales momentum at stake. These changes may require the re-education

of customers on the use of the product, education which includes details on inspection, packaging, deliveries, and guarantees.

8

Often, regular and trusted suppliers suffer as new materials are introduced. Many maintain inventories of semi-processed goods and special tools: They have a right to candid information, for better or for worse, and should not be left holding the bag when a word in time would have saved them needless loss of effort and money. The new supplier must have his way smoothed for him, too. He cannot be expected to understand the habits, foibles, and routines of a company overnight. There must be a period of acclimatization in which he can learn plant procedures, purchasing and accounting methods, and other patterns of company activity and policy.

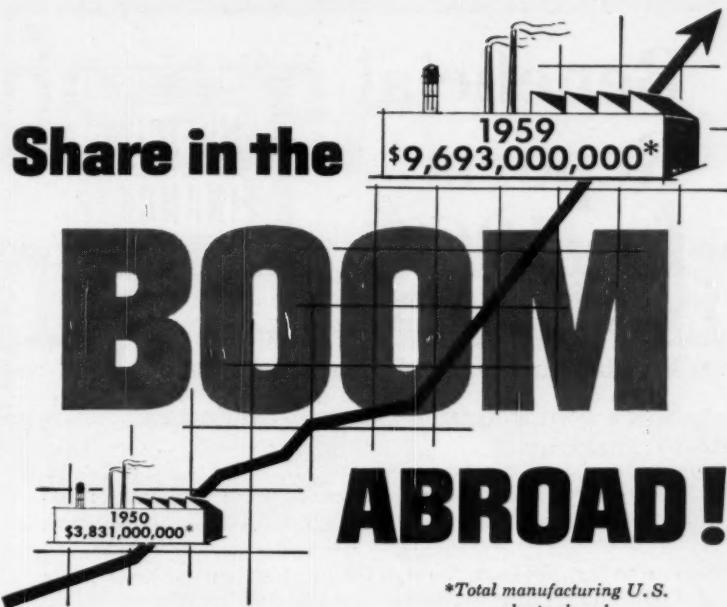
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The public in general—as distinct from the customer in particular—should be informed about significant changes in product or service. The public mind absorbs impressions, some of them slightly out of focus, and its opinion of a company can be the result of a minor neglect or trivial courtesy. The way to the public is through the press, both newspapers and magazines, radio and TV, direct mail.

The public identifies products, trademarks, package design, radio and TV symbols, and makes decisions which are more emotional than logical. This public includes the city official, tax collector, even regulatory officials—who should be informed on such matters as proposed plant location shifts, as well as new plants acquired and new products to be advertised and distributed. It includes stockholders, who shouldn't have to wait for the annual statement to get the news.

10

Where technology has an aspect of scientific glamour, there is a willing audience among teachers and students. Many leading companies are



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Beneficial Reports for 1960



- Record amount loaned to families
- Earnings up for 16th consecutive year
- Stock acquired in Western Auto Supply Company

Nineteen-sixty was another record year for Beneficial and its subsidiaries. Earnings were at a new high of \$24,662,633, the 16th consecutive annual increase since the end of World War II.

Service to families from the standpoint of amount of loans made and outstanding loan balances at the year-end was at a new peak. The number of offices was increased by 77 including one in Melbourne, Australia, thus adding another country to the Beneficial Finance System—the world's largest.

Approximately 47% of the common stock of Western Auto Supply Company was acquired during the year. Western Auto is a general merchandising organization with sales exceeding \$250,000,000 annually.

... a BENEFICIAL loan is for a beneficial purpose.

HIGHLIGHTS	1960	1959
Net Income	\$ 24,662,633	\$ 23,445,385
Net Income per Common Share	\$2.33	\$2.21*
Cash Dividends per Common Share	\$1.00	\$1.00
Total Assets	\$661,263,575	\$565,596,495
**Amount of Loans Made	\$786,894,747	\$773,877,411
Number of Offices	1,287	1,210
Instalment Notes Receivable (after deducting Unearned Discount)	\$589,907,209	\$554,371,946

*Adjusted to give effect to 2 1/2% stock dividend paid January 30, 1960.

**Principal only (unearned discount has been excluded).

The information contained herein should be read in conjunction with the financial statements and notes appearing in the 1960 Annual Report to Stockholders. A COPY OF THE REPORT WILL BE FURNISHED UPON REQUEST.

Beneficial Finance Co.

Beneficial Building, Wilmington, Delaware

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creating educational material for schools and colleges, with research experience running far ahead of available texts for students. Education takes on a dynamic significance to them after they leave school and apply old principles to new wonders of science and industry.

But we cannot run too far ahead of current acceptance in our use of new tools and procedures. Progress is sporadic, and the pioneers in any industry often go broke waiting for the parade to catch up. England had steam-driven omnibuses in 1810, but the vehicles were years ahead of pneumatic tires and hard-surfaced highways. Computer buyers in the past ten years have occasionally learned that they neither needed them nor understood how to use them. It took years of intellectual effort to learn how to ask questions and even longer to get usable answers and apply them to specific corporate problems.

The purchase of any automated machine must be justified by its use and profit potential—but above these considerations are the ethical and social challenges that arise when automation disturbs the social order.

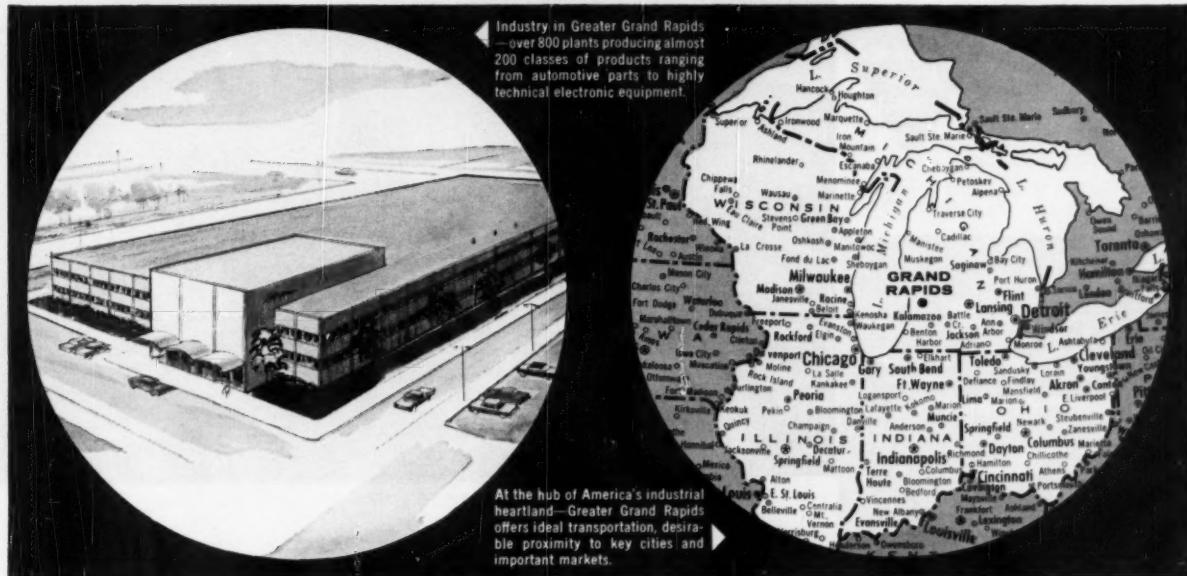
Growth is always more painful than decay, and doubly so under the insistent pressures of technology. At no time should techniques take precedence over people at any level of responsibility. Workers have always feared the machine. Out of fear they tried to destroy the first power looms, the first steam engines, the first printing presses. And fear of the new technique teams up with envy and jealousy when change endangers authority or prestige in the higher wage brackets.

The answer to technophobia is candor. When the systems men, management consultants, and industrial engineers wander through the plant or office, they should be advertised in advance and carefully introduced to executives, supervisors, and foremen in their true role as fact-finders. Their forerunner, the efficiency expert, got a reputation as an industrial spy largely because of his Hawkshaw approach to a problem, his furtive attitude in making notes, his air of immunity.

There is no need for such melodramatics today. Honesty and consideration will pave the way for changes that are essential in today's changing world. The first step in that direction is an adequate communications program.

END

The odds are in your favor in



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*Nationally conducted contest by The National Municipal League and Look Magazine.

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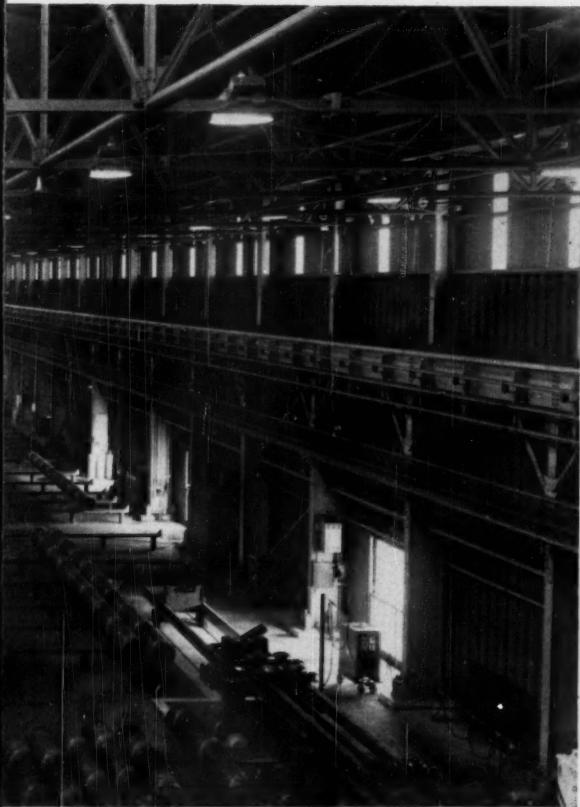
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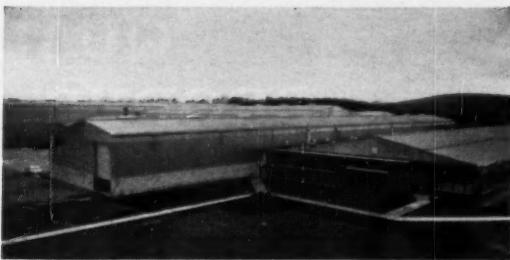
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Managing Your Manpower

LAWRENCE STESSIN

WHEN he picks up his pay check, Alton Owen, a drilling foreman for the Continental Oil Company, doesn't stuff it hastily into his pocket to keep others in the line from peeking at his earnings. They all know—give or take a few dollars—what he makes. This information—salary ranges of people in management—is part of Conoco's policy to take the wraps off so-called "company secrets."

How much to tell is still one of the thornier questions in personnel administration. Few companies have clarified the semantics of what is confidential and what is not.

In certain areas, notably cloak-and-dagger defense work, there's little room for argument—the Government calls the tune. Everything, in fact, is pretty much spelled out, from the routing of blueprints to the size of the lock on the file cabinets.

But in the world of ordinary intra-company communications—channels of information that flow up, down, and sidewise, plus the grapevine that has no formal channel policies at all—policies have to be set: buttoned lip, full disclosure, or something in between.

Traditionally, the pay scale has been played pianissimo. Considerable secrecy over who's getting how much still prevails, but that front is cracking. The salaries of high corporate officers in publicly held companies are there in the annual reports for all to see. At the bottom of the pay heap, the wages of hourly workers are exposed in the union contract and want ads. In wage negotiations, the National Labor Relations Board long ago ruled that a company is required to show the union employee income data that it might need in collective bargaining. Still largely undisclosed are the salaries of white-collar, technical, and middle-management people.

Conoco's decision to break the silence in this area is no sudden conversion to a "we have no secrets" policy. In the ten years he has been

- *How much should workers be told about company pay scales, policy decisions, contract talk?*
- *"What they don't know won't hurt them," most companies once thought—but changes are on the way.*

at the helm, President L. F. McCollum has slowly transformed the company from a tight-lipped concern to something resembling an organized gabfest. Through daily, weekly, and monthly reports, newsletters, memos, publications, bulletins, and meetings, Conocoans are among the best-informed employees in the industry. Salary information by grades, ranging up to the \$20,000 level, is even printed on wallet-sized cards and distributed.

Not when it hurts

McCollum's devotion to high and wide communications does not blur his realization that there are many corporate decisions which, if aired, would hurt pocketbook and planning. So he has laid down a three-pronged policy. The company will not disclose "(1) information which, if revealed openly, could help our competitors; (2) revelations that would interfere with normal business, or (3) information which would tend to mislead."

He explains: "In the first category are such matters as oil-exploration records or progress reports on scientific research. This information could not only help competitors, but might involve heavy financial loss to the company. The reasons for keeping such information secret are obvious.

"The second type of information Conoco keeps under wraps—until the

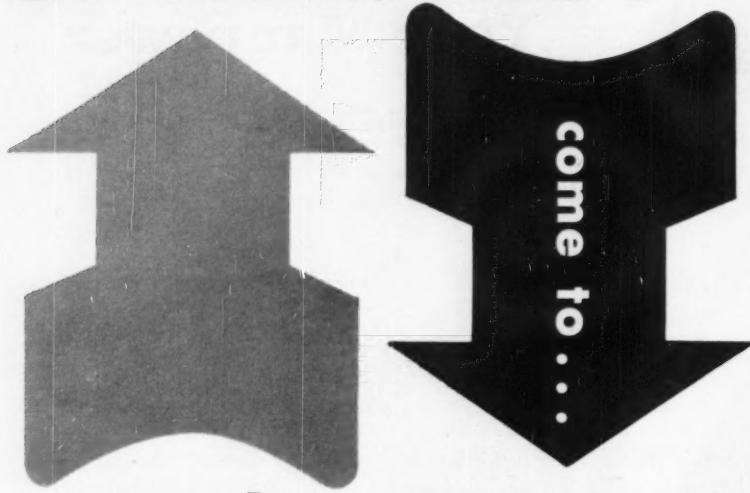
appropriate time for publication—are matters such as the negotiations of acquiring property. A good example was our acquisition of Western Oil and Fuel Company and International Refineries. It may have appeared to some persons that Conoco acquired the firms overnight. The fact is that negotiations were proceeding quietly for quite some time.

"Prematurely revealing the deal would have tipped our hand to competitors and probably caused a reaction on Western's and Conoco's stock. Also, if it was announced and then backfired, it would have caused embarrassment."

Conoco draped a heavy cloak of camouflage around its negotiations by using code names to identify the companies with which it was bargaining. "The Northern Companies" was used as a code name to avoid identification and leakage, and in all telephone conversations, correspondence, and personal talks the code became the symbol for the soon-to-be-acquired concerns. Although the acquisition took place more than a year ago, the code is still used by many people in referring to the Minnesota-based subsidiaries.

The third category of information not generally made known to the public is of the intra-mural variety—Conoco's oil reserve estimates. The company keeps quiet about these fig-

UPGRADING?



Southern New Jersey

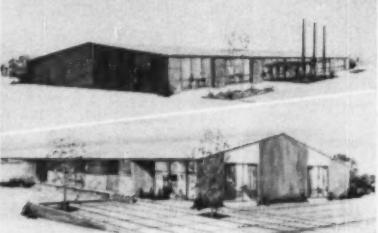
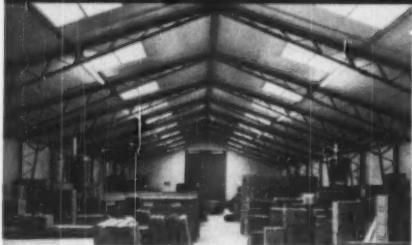
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ures on the grounds that its estimates are educated guesses and might, if revealed, give an inaccurate idea of inventory.

Second to salaries as a hush-hush topic is progress, or the lack of it, in collective bargaining. A notion has been built up over the years that the negotiations are so delicate, the strategies so subtle, that any disclosure would delay or topple a settlement. During last year's steel negotiations, the parties—labor and management spokesmen—totaled 252 "no comments" on the status of the bargaining, and steel company bargainers met in top-secret rendezvous to brief executives not present at the meetings. Employees and supervisors were kept as much in the dark as the public.

General Electric Company discovered that its position at the bargaining table was not eroded by telling its supervisory force and employees what was going on. After each day's negotiations with the union, a teletype system relayed what went on behind closed doors, and in some plants daily bulletins were issued to employees.

Some other companies now have supervisors to sit in on negotiations—primarily as reporters. At the end of each session, the foremen call meetings of their workforces and give a rundown of developments.

Another disclosure problem is how much to tell employees about a business downturn—and the possibility of curtailed employment. Labor relations men defend a "no communications" policy on impending layoffs, because an advance announcement might encourage absenteeism and production slowdowns. Unions have been pressing for a clause which would require management to give workers at least a week's notice of layoffs, but have met management resistance. To date, only 2 per cent of union agreements have such advance-notice provisions.

Time-and-a-Half for Brass?

When a management man burns the midnight oil, should he be paid overtime? A good 60 per cent of the companies questioned by the American Management Association's Executive Compensation Service say that he should be—and is. But not all brass is eligible for the after-hours ante. When vice-presidents and department heads stay after quitting time they receive no extra compensation. The largest



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On barn sides. On boat hulls. On cars and houses. Wherever you look, paint covers and protects.

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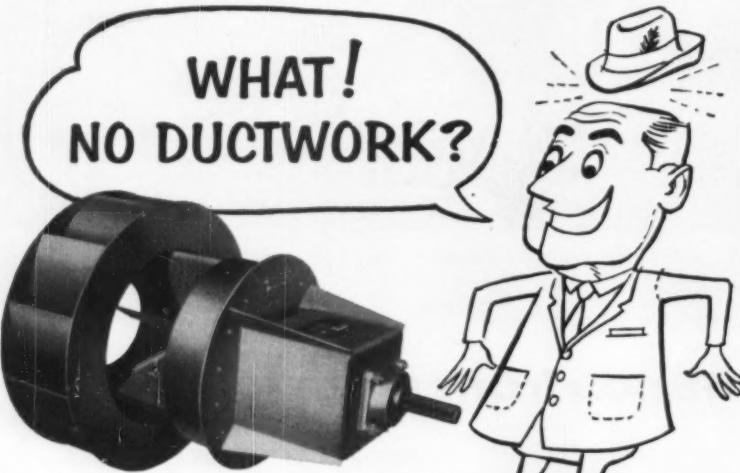
"yes, you can insure your money to \$110,000, earn 4½%...with one check!"

Financial Federation, a group of 11 California savings and loan associations, now makes it possible for you to earn a 4½% return (current minimum annual rate) on as much as \$110,000...with the entire amount insured by the Federal Savings and Loan Insurance Corporation. Mail one check directly to Financial Federation...funds will be placed with one or more Federation members listed below. Up to \$10,000 insured with each association permits total of \$110,000 insured under one account name. Or, make checks payable to associations in amounts you wish and mail one envelope to Financial Federation. Add to or withdraw from individual accounts with convenient flexibility. Funds received by 10th of any month earn from 1st. For more information, write for Financial Federation's Savings/Investment Portfolio.

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Niles, Michigan



group of managers who get paid overtime are factory supervisors, with office managers and salaried professionals (engineers, technicians) running second and third.

The rate of overtime pay for the managerial group varies. Forty per cent of the companies pay straight time. Thirty per cent give time and a half for the after-hours. Some companies give time off in lieu of pay. Others record the night work in the personnel folder, and consider it when deciding on increases or promotions.

Says AMA: "A growing practice is to vary overtime payments for different salary rates. Rather than make a sharp break between those eligible for time and a half and those eligible for straight time, 'taper points' are applied to salary rates. (Taper points are points on the salary scale beyond which overtime payments are reduced and finally eliminated.) A typical example of their use might be:

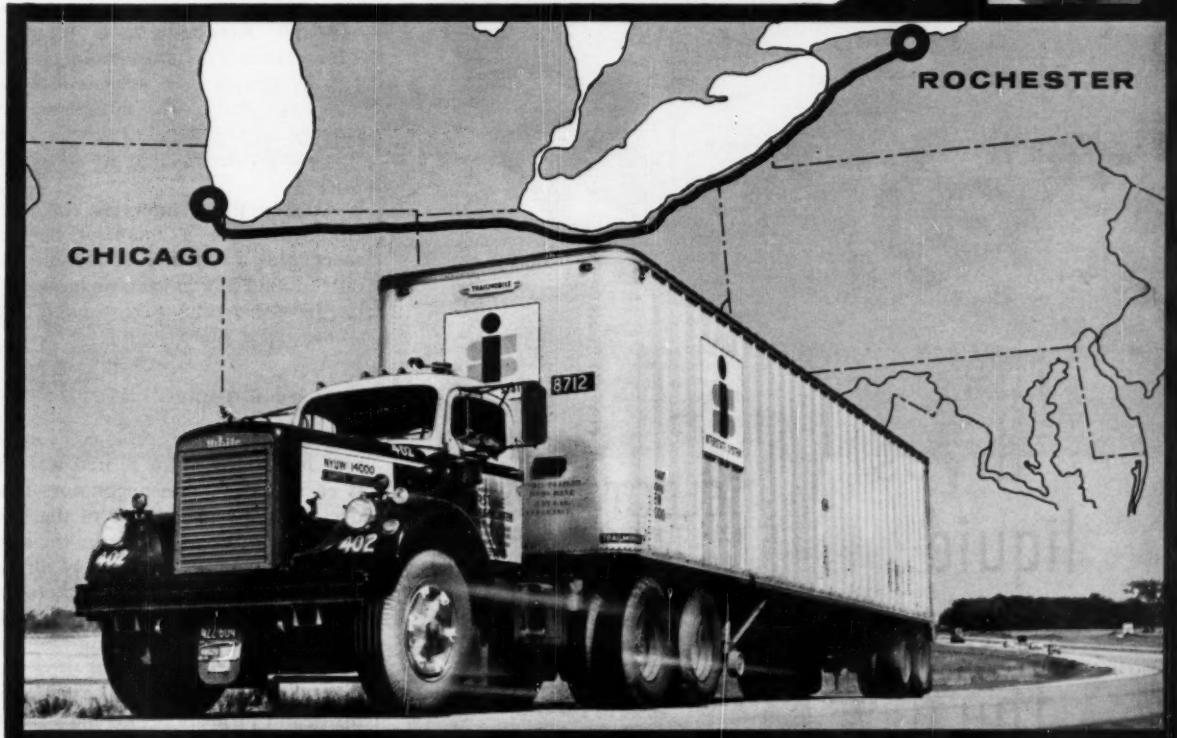
- Management employees with an annual salary up to \$5400 receive overtime compensation at the rate of 1.5 (time and a half) per hour; from \$5401 to \$6000, 1.4; from \$6001 to \$6600, 1.3; from \$6601 to \$7200, 1.2; from \$7201 to \$7800, 1.1; from \$7801 to \$8400, straight time; over \$8400, none.

Among hourly workers, overtime is welcome because of the premium pay. But unions are beginning to complain when overtime is scheduled just prior to expiration of the labor agreement. A steelworkers' local in Syracuse struck against Carrier Corp. when the company put its workforce on an overtime basis at the start of a bargaining period. The union ran an ad in the local papers and charged that Carrier was "deliberately working us overtime in an effort to stockpile merchandise." The company countered that overtime was necessary to build up its inventory for summer sales.

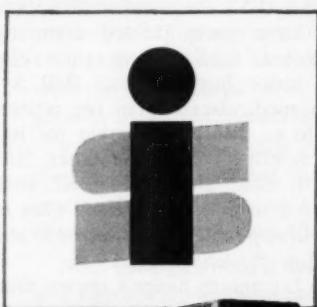
Easing the Transition

There is no stalemate in managerial practices for counseling workers on retirement. Not atypical of pre-retirement programming is the six-step timetable set up by North American Aviation. NA requires employees to retire at 65 if they have ten or more years of service. But the employee can work another three if he is given a physical okay. At 68, going on pension is automatic. Counseling begins far earlier.

We pay an average of \$2,434 a month
in "road" taxes to use the highway
between Rochester and Chicago!



The trip from Rochester, N. Y., to Chicago, Ill., is 604 miles. Interstate travels between these two points 105 times in the average month. Counting *only* those taxes that go toward paying for state and national highway systems, the amounts we pay on this one route average \$2,434 monthly. In our last fiscal year, these highway-directed taxes for the entire Interstate System totaled approximately \$1,550,000. The *total* of our taxes and licenses for that year was \$4,717,033. By any measure, it is apparent that Interstate System not only provides the fast, direct service you want, but, like other motor common carriers of America, pays its own way in doing it!



Direct service to over 9,000 points in 26 states

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Inked ribbons
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LOADS LIKE A GUN!
All you do is place the sealed developer cartridge in the PHOTORAPID ELECTRAMATIC, turn it on, and start photocopying. Turn it off and the developer automatically flows back into the cartridge. No mess, no fuss, no chemicals left out to slosh around and lose potency.

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The PHOTORAPID ELECTRAMATIC skips nothing—copies everything... permanently!

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FOR EVERY BUSINESS

Sounds good! But I must have a **FREE** trial before I commit myself. Let us have a look at the Electramatic.

I'd like more details before I take advantage of your **FREE** trial offer. Please rush me additional information.

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At age 55: Employee begins to receive a series of booklets on how to plan for the leisure years ahead. These continue to be distributed until retirement.

At 63: Personnel department starts a series of interviews with the employee. Subjects include financial planning, property inventory, and suggestions on repairing car, house, and appliances to ease the financial burden when income is reduced by retirement.

At 65: Employee is given a rundown on company pension plan and details of Social Security payments are explained.

At 66: Retiree-to-be is offered a training course on house maintenance. This is designed to help reduce repair costs and at the same time encourage the prospective retiree to develop an interest in do-it-yourself work.

At 67: Final interview provides employee with a financial balance sheet, plus a schedule of income and outgo to aid him in keeping his spending pattern within a reasonable and comfortable limit.

Fringe Question Mark

Union pressure on employers to provide medical care for retired workers is easing. Big-union negotiators have decided to await the fate of the Ford and Bill, which would assure the aged of Government help in case of illness. Actually, only 3 million workers are now covered by post-retirement medical insurance under union-management negotiated plans. But programs permitting the worker to carry over his health protection into the pension period have been noticeably on the increase.

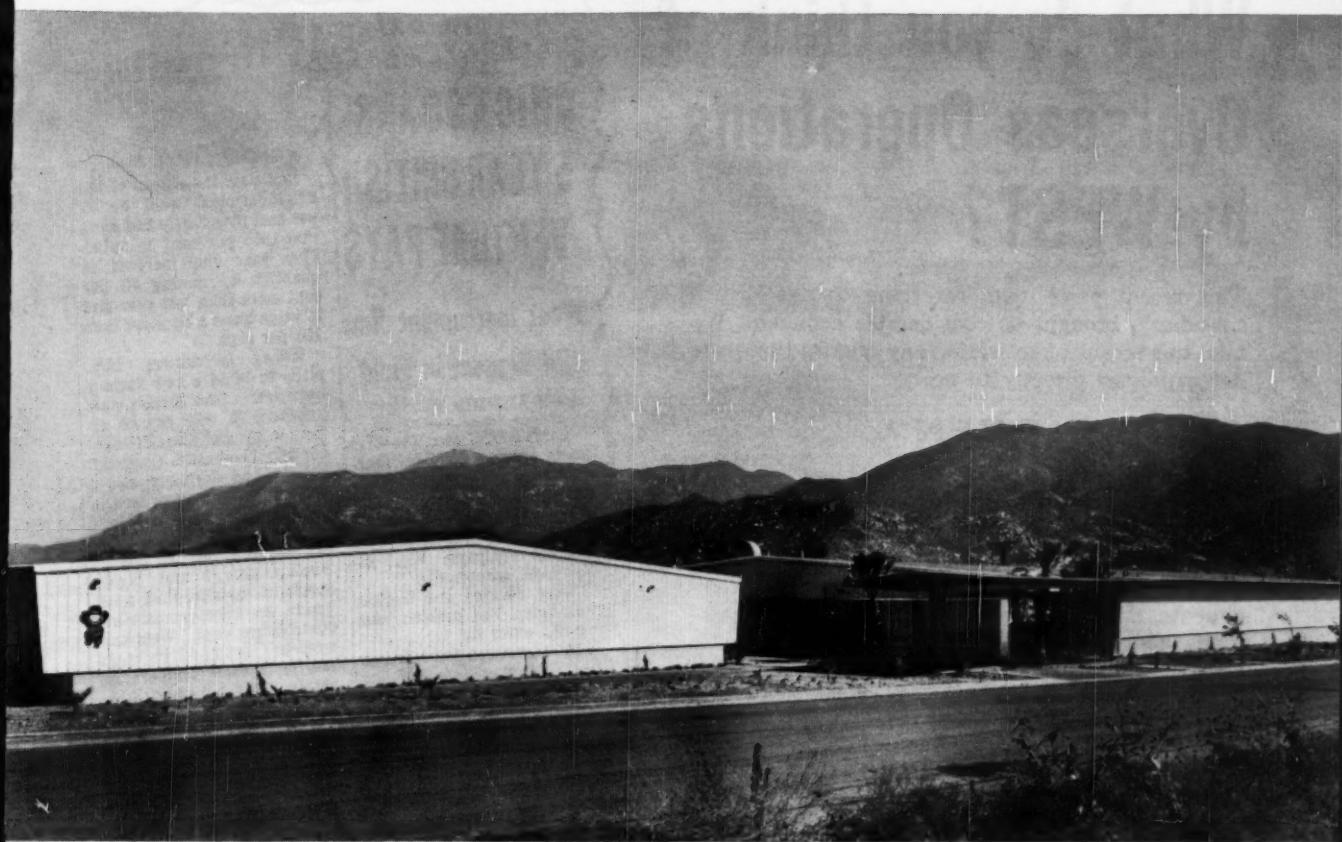
Since 1955, the number of workers who have been granted company-supported medical insurance after they retire has doubled. Bell System's medical-care plan for retirees, due to go into effect within the next few months, will add another 200,000 to those already covered. Bell's decision to adopt a medical plan for its retired people was expected to start a follow-the-leader trend.

So far unions haven't shown much overt interest in capitalizing on the Bell breakthrough. Under most current medical plans, benefits cease when a worker retires even if he's willing to absorb the cost of premiums for continued protection.

END

Electronic Components Division of The Deutsch Company, Banning, California. The three plant buildings cover a total area of 34,700 sq. ft. Two are 100' x 140' x 14', the third is 20' x 12'.

For strength, versatility, beauty, economy



wide open spaces

Notice the steel pillar that supports the entrance canopy at this plant? It's the *only* one you'll see in the entire plant, because these *steel* buildings have clearspan construction. The supports are built into the walls, so there's no need to clutter up the interiors with a lot of posts and pillars. No wasted floor space. And these buildings are exceptionally strong and fire-resistant—will withstand wind, rain, hail or lightning.

Steel buildings are not only strong and permanent, but as you can see, they're good looking as well. Here, the walls and roofs are galvanized *steel* with the side walls painted. The main entrance is covered with stone veneer, glass and porcelain-enameled steel panels. Upkeep is practically nothing.

Edward H. Jones, Vice President and General Manager of The Deutsch Co., says, "We selected factory-built *steel* buildings because they can be erected fast, expanded to a larger size, and they have clearspan interiors." Steel buildings are versatile, and they save construction time and costs.

Next time you need a new plant or office building—one that's functional and handsome—make it *steel*. For more information, send the coupon.

United States Steel Corporation
Room 6252, 525 William Penn Place
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Please send me more information about factory-built steel buildings for the following uses:

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U. S. Steel does not make factory-built steel buildings, but supplies galvanized steel sheets, structural members and bars to steel building manufacturers. Your request for information will be forwarded to them.



United States Steel

TRADEMARK

What do you think of Overseas Operations by WEST?

This recent news item, referring to our British subsidiary, brought us considerable comment. We take this means of answering any queries that were not expressed directly to us.

GOOD CITIZEN?

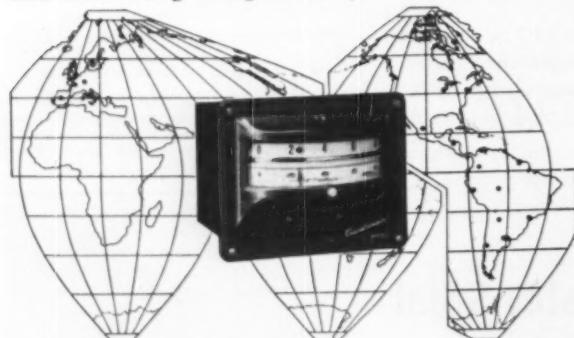
Building this British subsidiary did *not* involve a "flight of capital" nor using-low-foreign-costs-to-undermine-the-home-market. Our seed-money did not exceed the price of a few automobiles; we supplied mainly know-how and American-made components. Far from "exporting gold," this enterprise sends home dollars from otherwise inaccessible sources. And, its products are *not* sold in the U.S.A.

GOOD SERVICE?

From parts to complete instruments and control systems, a given West unit made in the U.S.A. is interchangeable with its counterpart made in England (or in our other subsidiaries developing abroad). Add our world-network of West offices, carrying stock and kept current on all types of applications, and you can rely on prompt service ... wherever you are situated.

GOOD BUSINESS?

Our products are designed to serve under industrial conditions found *anywhere*, with minimum maintenance. This factor plus our world-wide service offers real advantage for direct users and for makers of machines incorporating temperature control ... wherever they buy or wherever their installation is located. One gauge of our "foreign policy" is our U. S. production; our payroll, facilities purchases and sales are growing annually.



CHICAGO DAILY TRIBUNE:
TUESDAY, JANUARY 17, 1961

CHICAGOANS' 5 YEAR BRITISH VENTURE PAYS

West Instrument Now

2d Biggest in Field

BY ARTHUR VEYSEY
(Chicago Tribune Press Service)

LONDON, Jan. 16—Five years ago last October, Richard West came to England to see if there was any market for the temperature controls developed by his family's Chicago company, West Instrument corporation.

West decided the market was here. The problem was how to enter it.

He advertised for a British heat control engineer. Among the applicants was James Hartnett. West hired him, went back home, and shipped over parts for some of the Chicago designed equipment.

Begins in Back Room

Hartnett assembled the parts in a back room of a London house and sold them. Within six months, the "assembly plant" outgrew the room. Hartnett rented part of a former warehouse in Brighton, a seaside town usually thought of as a resort.

Hartnett went into British laboratories and sought out young university trained engineers. Soon they were traveling to the continent and British overseas areas. Only North and South America were reserved as Chicago domain.

Next, components were ordered from British and continental firms.

Quantity, Value, Rise
Last year the output of the Brighton plant went up 77 per cent in quantity and more than 100 per cent in value. This year the increase in quantity is running 79 per cent more than last year and in value quite a bit more than 100 per cent.

West Instrument, Ltd., plans to build a new factory next year. The British staff numbers 70, with branch offices in London, Cardiff, Manchester, Newcastle, Scotland, France, and Germany, and a corps of agents elsewhere in Europe, Asia and Australia.

West has found its biggest opportunities in the plastic, nuclear energy and highly specialist metallurgical field, where accurate temperature controls are vital. West controls are designed to maintain a chosen temperature within $\frac{1}{4}$ of 1 degree.

Brother Takes Over

Richard West was killed in a plane accident two years ago. His brother, William, succeeded him as president of the Chicago company and of the wholly-owned British subsidiary. British earned profits have been put back into the subsidiary.

The British operation has given two advantages to the parent company. Its representatives and agents service Chicago made controls in American exported industrial plants over much of the world. And British representatives, working closely with industry and research, are improving and expanding design and uses.

After five years, with very little capital flown from Chicago, West ranks second biggest in the British temperature controls field.

YOU ARE INVITED TO RAISE ANY QUESTIONS
WITH YOUR WEST REPRESENTATIVE (LISTED IN
THE YELLOW PAGES) OR TO WRITE DIRECTLY.

WEST *Instrument*
CORPORATION
SALES OFFICES IN PRINCIPAL CITIES
FACTORY AND GENERAL OFFICES:
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BRITISH SUBSIDIARY
WEST INSTRUMENT, LTD.
52 Regent St., Brighton 1, Sussex

* Makers of solid-state temperature controllers, recorders, indicators and accessories for industrial processing.



Ideas at Work

- » *Capsule comments enliven the unused "white space" on Lilliputian billboard.*
- » *Free new products for old insure employee loyalty, advertise the company name.*

Quips A-Brewing

In the days before "white space," products often came wrapped in lines of fine type—fascinating material for inveterate readers, even if it didn't move goods off the shelves. Since then, "eye appeal" has become the watchword, and the literary-minded consumer who's fresh out of magazines, papers, and books has had to be content with packages that carry only succinct directions and a few words of hard-hitting prose, tastefully garnished with art.

Now Salada Tea, which once followed the trend, has hit on a sales-making way to buck it without returning to the type-ridden past.

For years, Salada used the little card attached to its tea bag to identify the product, give tips on brewing tea, or plug Salada.

Then, looking for something new, and with only meager prospects for squeezing a further return from the 1" x 1" octagons, Salada advertising manager John W. Colpitts decided to experiment. Tapping his hobby—he collects pithy sayings—Colpitts ran off "philosophical" gag lines on the Salada tags.

Some examples:

"The time to make friends is before you need them."

"A kiss that speaks volumes is seldom a first edition."

"You can't keep a chip on the shoulder you put to the wheel."

Corn? Maybe. But the tag lines—each no longer than a sentence—are provoking strong responses from the buying public, edging Salada sales upward. Like calendar snoopers who with undue haste flip the pages over to ogle each month's girl, many tea-drinkers reach for the next bag—and

Make Your Own Accident



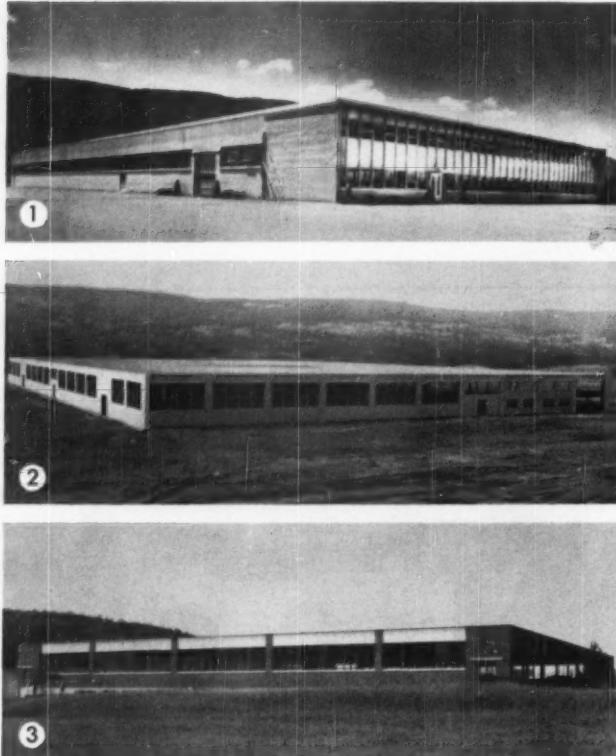
No cliché-laden lecture could ever sell a safety message more effectively than a well-staged, bona fide accident. But since most employees object to playing victim, management normally settles for less dramatic schemes to nail home its point.

One idea, which taps the fascination factor of the pinball machine while providing the "feel" of a real mishap, is the accident maker pictured above, invented by safety supervisors Jack Warren (left) and Stan Freeman at Boeing Aircraft Corp's plant in Seattle, Wash.

The mannequin heads represent the reckless worker—without safety goggles—and the prudent worker. A flick of an electric switch showers metal chips indiscriminately on both. When the eyes of the reckless worker are struck, a light flashes and a counter records the hit. The other mannequin's light never flashes, since his goggles inevitably fend off all the chips.

The display has been set up in three Boeing cafeterias, where employees work the device for themselves. Though "relatively expensive" to construct, a company spokesman says it has paid dividends by boosting safety awareness among the big aircraft company's personnel.

THESE AND OTHER NEW BUILDINGS NOW AVAILABLE
IN CENTRAL EASTERN PENNSYLVANIA



- 1. 45,000 SQ. FT.—9.5 ACRES • BAYS, 20' x 50'
- 2. 92,736 SQ. FT.—15 ACRES • BAYS, 24' x 42'
- 3. 50,000 SQ. FT.—10 ACRES • BAYS, 25' x 40'

Here are just three of the shell buildings located in planned industrial areas in Central Eastern Pennsylvania now ready for custom finishing to your specifications. Each is expandable, but if none exactly fits your needs, one will be built for you. And, if yours is a male-employing manufacturing or processing industry, you can profit from interest rates as low as 2% on one-half the project cost.

This area is noted for its wide variety of vocational training facilities, a vital factor if yours is an industry requiring men with diversified and specialized skills.

Investigate the opportunities here in the heart of the huge eastern market . . . $\frac{1}{3}$ the nation's people within 300 miles. For a starter, let us send you a three-dimensional stereo-card viewer of these and other plants in color.

- D 4
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 or Lease
- ★ 100%
 Financing
- } ★ Interest
 as low as
 2%
 on one-half
 the project
- ★ ★ Community-
 built plants



PARTICIPATION BY BROKERS INVITED

AREA DEVELOPMENT SECTION
PENNSYLVANIA POWER & LIGHT COMPANY
Ninth and Hamilton Streets
Allentown, Penna.

Please send me the stereo-card viewer of shell plant availabilities in Central Eastern Pennsylvania and other information on the area.

Name _____

Company _____

Address _____ State _____

the next—just to read the pithy tags. Salada receives a heavy flow of mail each month from consumers who have put the tag lines to novel use. Hostesses attach them to place cards, children trade them, public speakers quote them. And though Salada won't use them for fear of copyright problems, a number of Salada customers send in their own sayings for a hopeful try at immortality.

Seeing is Believing

A major sales tool in the salesman's bag of convincers is the company product itself. Enthusiastic words about its merits and advantages acquire more substance when it can be unveiled to display its own strong points. But when it is too heavy or bulky for a salesman to lug on his rounds, illustrated material must substitute for "showing" the customer.

Consider, then, the case of the Kimble Glass Company, an Owens-

Illinois subsidiary in Toledo, Ohio, after it introduced its new Thinlite curtain wall system. The full advantages of certain Thinlite designs could be appreciated only by seeing the curtain walls themselves. Since this was impossible unless the customer came to Kimble, the company cast about for a self-contained, highly portable sales tool that could back up a salesman's persuasive patter. And, looking for a potential give-away in limited direct mail programs as well, it also wanted a less expensive tool than color prints or standard 35mm slides.

Kimble found its answer in a collapsible, binocular-type cardboard viewer, with eight color slides of Thinlite curtain walls. Enclosed in an imprinted plastic packet, the whole unit costs \$1.95. The slides, though not true stereo, give a feeling of depth when seen through the viewer.

Response from prospects, sales force, and dealers was enthusiastic, reports the company. Kimble now

plans to design packets devoted solely to curtain walls for specific buildings, such as schools, churches, and industrial structures.

Payoff on a Profit Loss

Makers of electric chairs aside, most manufacturers are delighted to sell the company product to employees for personal use. After all, they are a virtually pre-sold group. They know what goes into the product, they know how to use it and take care of it. Moreover, the loyalty that begins at home can yield rich dividends. No sales slogan praises a product more persuasively than the testimonial implied when employees buy it.

Mindful of these advantages, The Firestone Tire & Rubber Company, Akron, urges its workers to ask auto dealers for Firestone tires when they buy new cars. If, in spite of the employee's request, the autos come equipped with a competitor's product,

...no nuts can be better
than the
Standards
set for...
manufacture

... along with
six other basic
quality controls

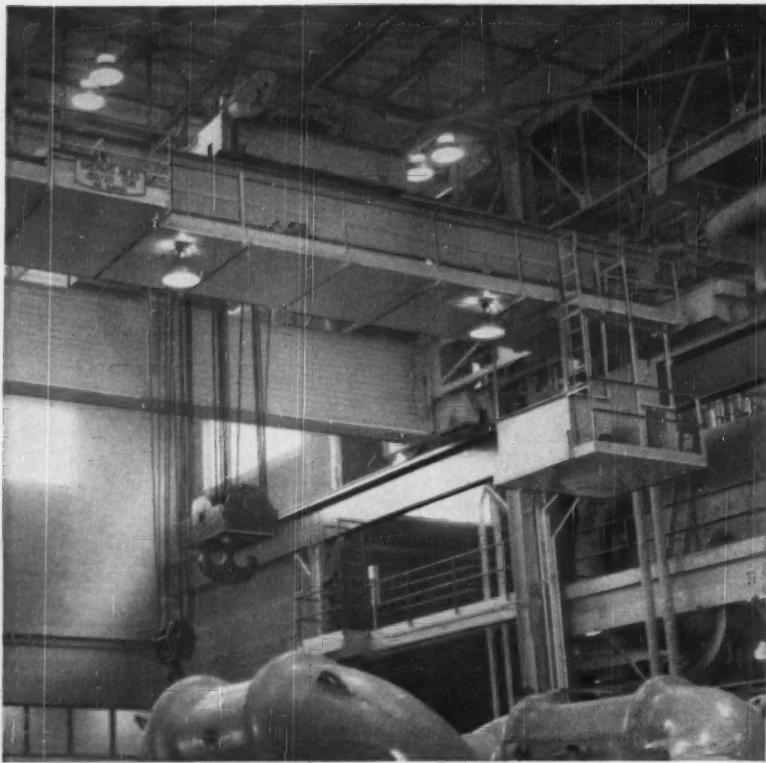
inspection at the various
stages of production

Manufacturers of Standard and Special ferrous and non-ferrous Hexagon, Square and "12 Pointer" nuts . . . "Conelok", "Huglock" and "Marsden" locknuts . . . Send for 12-page condensus-brochure that includes complete specifications and engineering data, sizes $\frac{3}{8}$ " to $4\frac{1}{4}$ " cross flats . . .



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on SPS company 44250 UTICA ROAD UTICA, MICHIGAN



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Shepard Niles JOB-MATED Cranes, with auxiliary hoists, are not merely handling devices, but versatile, highly engineered machine tools that contribute directly to increased production and profits.

Even in our "standard" cranes, our use of Shepard Niles-designed and -built components results in your receiving a custom-built crane to meet your exact on-the-job conditions. Care like this in our plant means lower operating costs and increased efficiency in yours.

For the full story on how Shepard Niles JOB-MATED QUALITY Cranes (from 250-lb. to 500-ton capacities) will cut costs in your operation, write and ask to have a Shepard Niles representative call at your convenience. And send for our descriptive bulletin.



Member of Electric Overhead Crane Institute

America's Most Complete Line of Cranes and Hoists

SHEPARD NILES
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2972 Schuyler Ave., Montour Falls, N.Y.

Firestone will swap new tires for "old," provided they have less than 100 miles use each. For removing the old tires and installing the new, employees pay only \$1 per tire service charge, shell out local sales taxes where necessary.

Firestone stores, which then sell the competition's product as a used tire, lose the profit on the new company tire which replaced it. But the dollar-and-cents loss is considered negligible when weighed against employee use of the Firestone product. The tire swaps are so popular, says Firestone, that it plans to continue the program indefinitely.

Challenge to Amateur Chefs

The company cafeteria, that much maligned institution, forever criticized for lack of variety and imagination, may find its patrons can dish up a solution to its culinary problems. At Grumman Aircraft Engineering Corp., Bethpage, N.Y., the food service director, Richard Kosse, reasoned that cook-outs and backyard barbecues had probably fathered a good number of amateur chefs among company employees. He issued a call for one or more recipes in three categories: hot entrées, salad plates, and desserts. Each recipe had to yield 25 portions, and to require only ingredients available at reasonable prices.

Some 70 first-class recipes were received (two-thirds submitted by men). Apart from a substantial number of menu ideas and publicity for the cafeteria, food service people got a good idea of the dishes preferred.

The finalists in each category got a paid morning off to cook up their dishes at home, and the winners received a Grumman plane model, a subscription to *Gourmet* magazine, and a plaque. The grand-prize dish was served at all five Grumman cafeterias and in company food-vending machines. Its sponsor, in addition to the other prizes, won a company-paid dinner for two at Manhattan's "21."

The recipe competition was so successful that Grumman plans to repeat it annually. Among its secondary effects, it inspired formation of a company Gourmet Club, which will probably elevate employee taste and keep the cafeteria on its toes. Interest in the contest also led Grumman to compile a cookbook which will include the prize-winning recipes.

—J.J.F.

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of a unit specifically designed for 6- to 9-foot bodies
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of Ford's proven Falcon Six or famous 223 Six



P-100. Available as chassis only; 96- and 102-in. wheelbase for bodies with 6- to 9-ft. load length. Cubic capacity up to 250 cu. ft. GVW 4000 to 5000 lbs.

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New Falcon Sedan Delivery. Economy never had such style! 76 cu. ft. loadspace! Hundreds of dollars* less than panels!

Here's the ultimate in economy for stop-go delivery of bulky, lightweight loads . . . Ford's P-100 Parcel Delivery! There's unmatched gas mileage with either of two proven engines: Ford's famous 223 Six or the dependable 144 Falcon Six—both can save you hundreds of dollars in gas. There's extra strength at key chassis points (example: up to 47% more clutch lining area than on competitive trucks) to cut upkeep costs to the core. And the new P-100—just like its big-brother P-350, 400, 500 and 600 models, permits installation of the exact body style you need at the lowest possible cost! Get all the facts of Ford's Parcel series—at your Dealer's now!

FORD DIVISION, Ford Motor Company.

*Based on comparison of latest available manufacturers' suggested retail delivered prices.

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YOUR FORD DEALER'S "CERTIFIED
ECONOMY BOOK" PROVES IT FOR SURE!



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by Butler of course

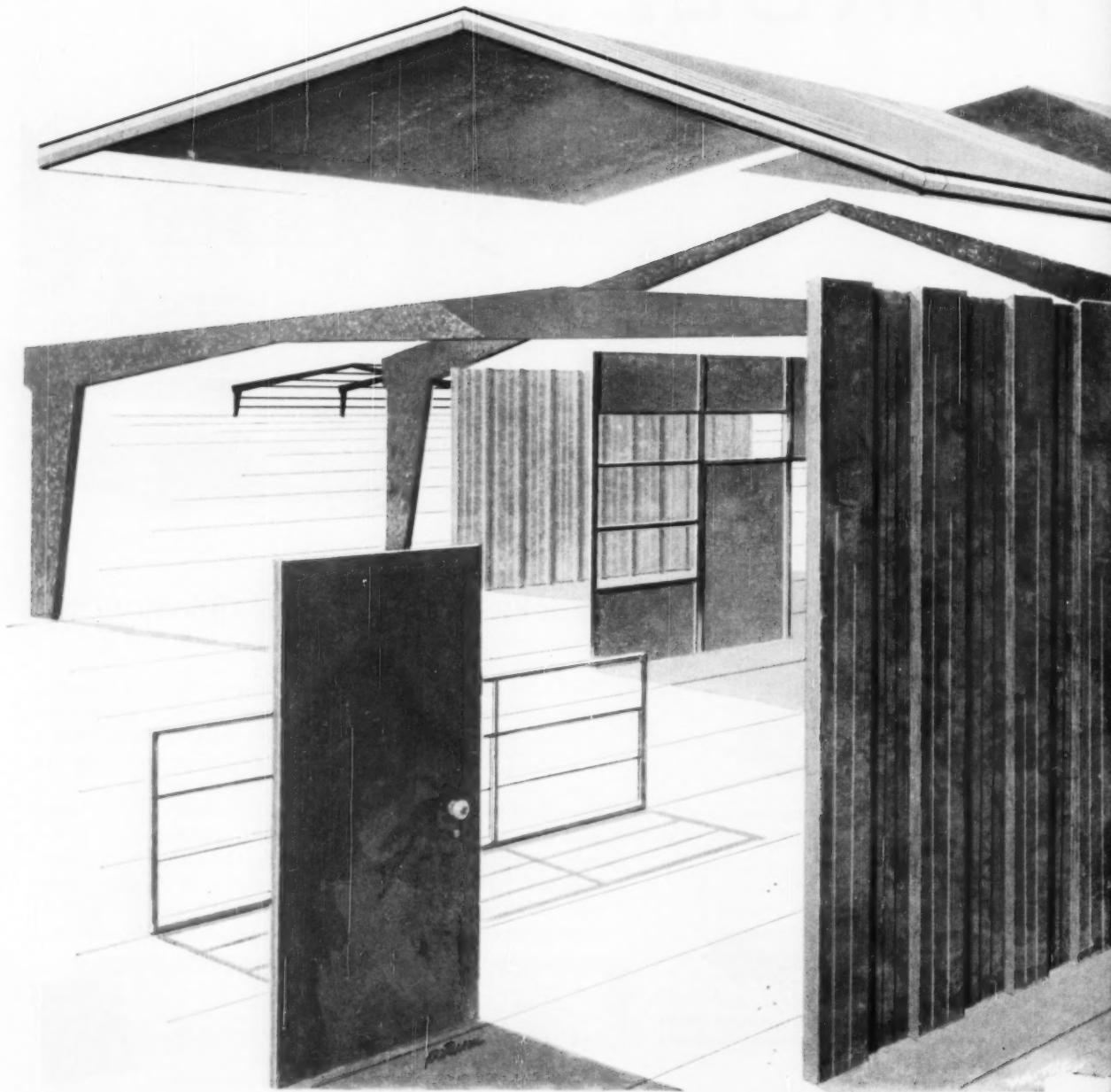
Why such sweeping re-design? Because we envisioned unprecedented building with more "you" in them. More of your needs, your wants, your taste.

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Butler's new expanded line has twice the variety, twice the number of building sizes and types. There are over 400 basic building designs, in many sizes. Six separate

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No other pre-engineered building system goes to such lengths to meet your wants. No other buildings are so completely factory fabricated. Naturally, this factory fabrication results in better, more durable, more efficient, more beautiful buildings. More value, too. So why settle for less when you can get all these qualities *plus* custom flexibility from the industry leader.



*we had ourselves
to outdesign...and
made a sweeping
job of it.*



Best dressed pre-engineered buildings ever

Butler offers three complete wall systems. Finished inside, finished outside—in eight new colors. Even doors, windows and trim are design-integrated to give a perfectly finished look.

An outstanding example is Butler's new Modular Wall System: flat, simple, elegant four-foot panels with built-in doors and windows. This factory fab-

ricated "sandwich" is insulated, too, as efficient as it is beautiful. Matching trim is a prime example of classic simplicity.

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International Markets

ALEXANDER O. STANLEY

WITH a more than \$32 billion investment at stake, U.S. companies operating abroad are keeping close tabs on Administration measures to cut so-called incentives to U.S. subsidiaries overseas.

There seems to be some agreement on Capitol Hill that such action is needed because:

- The flow of U.S. capital abroad is aggravating the balance-of-payments deficit
- Scores of concerns are "dodging" taxes by setting up holding companies in such tax havens as Switzerland, Panama, Bermuda, the Bahamas, and Liechtenstein
- Many U.S. companies are, in effect, withholding tax payments by re-investing foreign subsidiary profits in other overseas operations. Under the present law, these earnings cannot be taxed until they are brought home.

But there's another point of view. Administration worries about capital outflow and tax advantages enjoyed by U.S. business abroad are uncalled for, according to international management men. On balance, they say, twice as much is being brought in from foreign earnings—roughly \$1 billion annually—than goes out in new investment money. This strengthens our balance-of-payments position.

As for tax havens, they are logical places to set up holding companies. By making it easy to deploy capital funds in growing markets in neighboring countries, they actually help to ease the Government's foreign aid burden.

It's true that foreign subsidiaries, unlike branch operations, can plough income back, paying no U.S. income tax. But by doing so, the parent company broadens its foreign earnings base and builds up a reserve to beef up its income when times are lean at home. Even more important, these expatriate investments reduce the for-

- ✓ *On the horizon: a cutback in inducements to set up subsidiaries overseas.*
- ✓ *The object: to increase Government tax revenues, slow capital outflow, ease the balance-of-payments problem.*
- ✓ *The effect: it could kill the goose that lays the golden eggs, say international business men.*

sign aid load and help us to block Soviet infiltration in world trade channels.

One idea that has been advanced to stimulate U.S. enterprise overseas is to broaden the Western Hemisphere Trade Corporation Act, which now serves to stimulate U.S. company operations in Latin America by offering moderate tax relief (around 14 per cent) to activities meeting certain precise specifications. The new proposal would extend the application of the Act to American business operations outside this hemisphere, at least in the underdeveloped areas of the world. The object: to compensate for bigger risks by somewhat reducing tax liability.

As for what Congress will actually do, the chances seem to be that IRS regulations will be revised to tax subsidiaries on earnings as generated. No change is likely on the current provision for lumping tax credits on tax payouts overseas (see DUN'S REVIEW, November, 1960, page 142). Also unaffected: The Western Hemisphere Trade Corporation Act, which in recent months cleared a legal tax hurdle. The Tax Court and the U.S. Court of Claims rejected Treasury's contention that the WHTC tax of 21.9 per cent on the first \$34,200 of income, and approximately 38 per

cent thereafter applied only to companies with sizable subsidiary investments in the Western Hemisphere outside the borders of the United States.

Also rejected by the Courts was the Treasury position that companies disqualify themselves for this tax relief if they pass title *in the United States* to goods sold to their WHTC subsidiaries.

Incidentally, if you have subsidiary investments in any areas overseas, be sure to look into the new Treasury rules for reporting the finances of your overseas operations. The regulations pertain to American corporations abroad, whether they are under the control of American companies, function as subsidiaries, or operate as foreign companies controlled by foreign subsidiaries.

The gold trickle

The gold outflow has slowed to a trickle in recent weeks, as the result of a number of new developments.

One of these was the Administration's firm announcement that there would be no devaluation of the dollar. Another is that foreign governments and central banks, instead of cashing in dollars for gold, are now buying short-term U.S. Government securities. A third: the recent pledge by

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ILLINOIS CENTRAL

Main Line of Mid-America

ten countries—Belgium, France, England, Ireland, Italy, Luxembourg, Holland, Sweden, West Germany, and Peru—that they would keep their currencies freely convertible for purposes of international trade and travel. This declaration was made to the International Monetary Fund and brought up to \$10 billion its pool of gold and convertible currency reserves — now available to 68 member countries to stabilize their international money movements. This doesn't mean that restrictions can't be slapped on by any of the pledged countries at any time. But it does mean that the IMF (of which the United States is a member) will be consulted first, providing a breathing spell. In a broad sense, this convertibility-fix implies that the ten countries are better off economically—and it strengthens the Administration's hand in pressing for the elimination of more barriers to U.S. goods abroad. The result can be better sales for American exporters this year.

No payoff on Soviet hunch

Even the Soviets have gotten into the act. After a lag of some four months, when they wouldn't swap Soviet-produced gold for dollars and sterling (their yearly gold sales range from \$200 million to \$400 million and are needed to pay their international bills), Russia finally decided it was time to stop betting on a devalued dollar. They resumed selling gold in February.

Interestingly enough, the Soviet "heavy" ruble, labeled by its government as the world's strongest currency, is being roughly treated in the black markets behind the Iron Curtain. It has been quoted as low as 22.8 cents recently, in contrast to the official value of \$1.11.

Meanwhile, Russia has been having other economic problems at home. Premier Khrushchev recently warned his countrymen that their voracious appetite for all types of goods—especially such staples as milk, butter, and meat—was stripping supplies to the danger point. The resulting inflated prices, it seems, are spilling over to other products as well.

Trends in Travel

1960 was a banner year for the footloose American tourist. A record 1.7 million Americans spent \$2.5 billion abroad, according to estimates by the



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American Express Company. Jet airliners carried a growing share of the foreign travel load: Jets in overseas services vaulted from 14 to 350 between January 1959 and January 1961, and the total is expected to hit 560 this year.

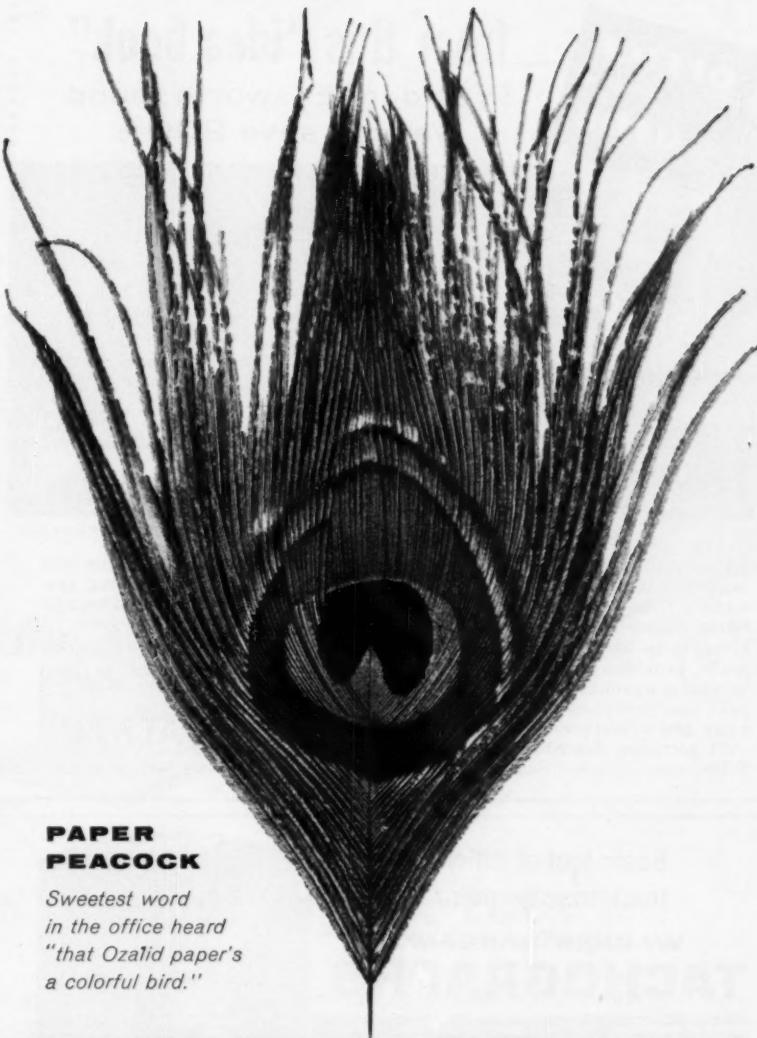
The proposed cutback (from \$500 to \$100) in the amount of duty-free goods U.S. tourists can bring back from abroad may put a damper on the volume of dollars spent this summer. Nevertheless, all predictions point to another big year. Another hope is that the "Visit America" campaign now being pushed abroad will help to ease the \$1.2 billion deficit in our international travel account.

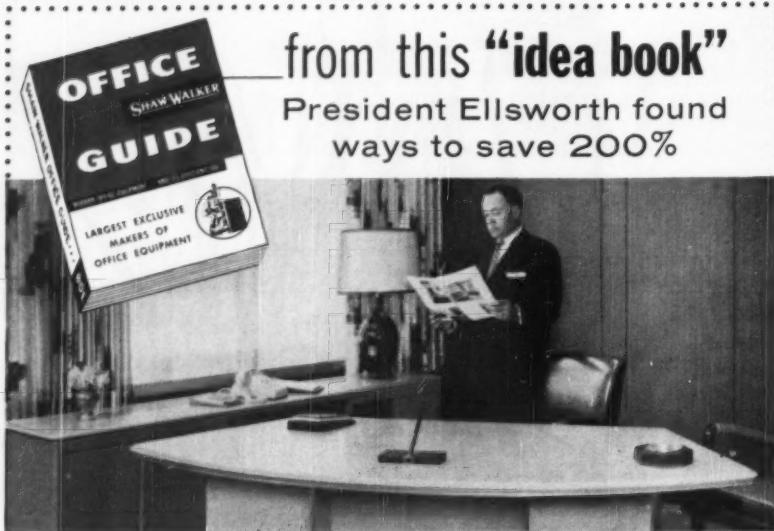
Meanwhile the Air Transportation Association of America is pushing a drive to persuade the U.S. tourist and business man to ride on American carriers and ship their air cargo on American planes. Lower air cargo rates, expected to go into effect this month, would give a boost to this program. Back in February, members of the International Air Transportation Association were at loggerheads over the lower rate structure proposed by U.S. carriers. The meeting broke up without any agreement. Now an "open rate" situation prevails. Despite objections from foreign-owned airlines, some U.S. carriers expect to cut rates up to 75 per cent. Air-freighted general cargo on the New York to London run may be slashed as much as 66 per cent. A possible hitch: In practice, rates between countries are contingent on bilateral agreements—under the pressure of their own airlines, some countries may balk. But since landing rights are reciprocal, chances are most nations will conform to the lower schedules or seek a compromise.

At the same time, the Committee of American Steamship Lines is vigorously pushing its own campaign to have more in- and out-bound cargo shipped in American bottoms. Rates, it points out, are competitive, schedules are dependable, and sales opportunities are generated through traffic development programs.

More Time to Pay

In another policy turnaround on U.S.-inspired installment sales, British authorities have once again reluctantly released the brakes on hire-purchase sales in the face of growing unemployment, especially in the automo-





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President Ellsworth found
ways to save 200%

President Ellsworth, Surely Life, Salt Lake City

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It pictures, describes and prices 5000 items—Correct Seating chairs;

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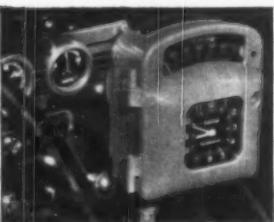
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bile industry. Now, once again, payments on cars, TV sets, and other household appliances can be stretched out over three, instead of two, years. And today anyone—even without a bank account—can buy checks for 7 cents apiece to pay his bills anywhere in the United Kingdom, through the General Credit Transfer Service.

New Card for the Continent

France's National Association of Hotels, in conjunction with the International Hotel Association, has devised a new Universal Credit Card for the tourist. It should be honored by many Continental hotels and restaurants which have balked at the loss of 5 to 10 per cent of their income on regular credit-card sales.

In addition to the usual name and address of the holder, the new card carries the name of his bank as well. When a charge is made, the user signs a printed form, which is then deposited, like a check. The amount is immediately credited to the hotel or restaurant. The card-holder is not debited by his bank until the following month, so he gets his full credit period while the restaurateur gets his cash-credit. The charge slip, which is treated like any check, is returned with the monthly bank statement. A separate bank account can be carried for this purpose. Card fee to the holder is \$10.

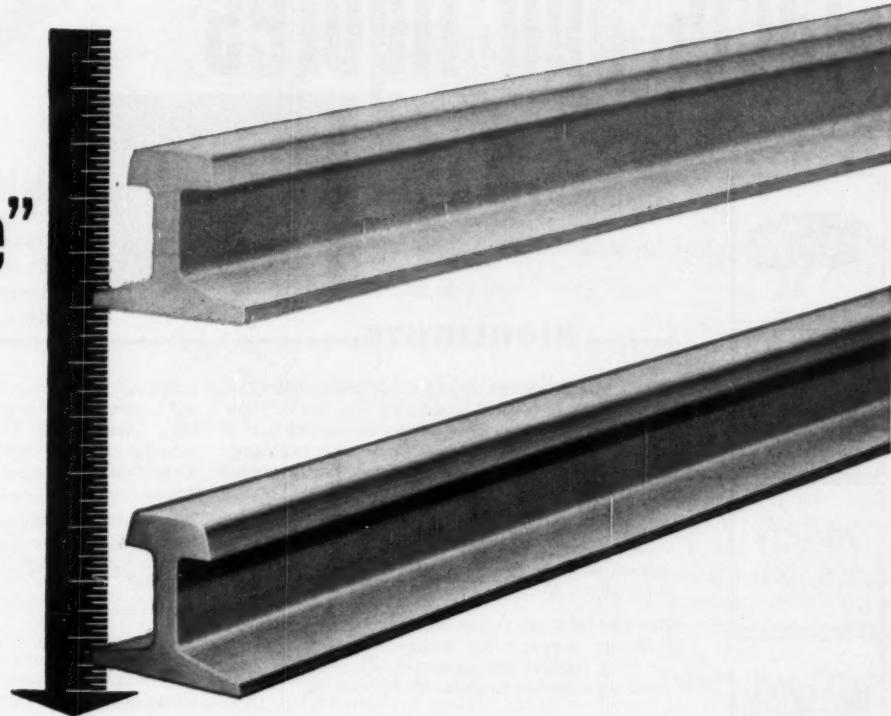
Foreign Stock Note

For those interested in keeping track of the fast-moving European bourses, a new index has been devised based on stock quotations of the 100 largest companies operating in the EEC. This group makes up 62 per cent of the total value of all national shares on the exchanges of France, West Germany, Italy, Belgium, and the Netherlands. The index (its base of 100 = year-end 1958) now stands at about 170. Data are compiled by the Euro-syndicat Investment Research Bureau. The index is released every Thursday.

This side of the Atlantic, some 150 foreign stocks are currently being actively traded on New York's stock exchanges and over-the-counter. Designated as ADR's (American Depository Receipts, representing shares held in trust by banks overseas), they represent the "big business" of England, Europe, Latin America, Canada, and Japan.

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**"marked
down
for
clearance"**



... means for progress, too!

SEABOARD'S expanding Piggyback operations are part of a continuing effort to make every aspect of its freight service as attractive and serviceable to shippers as possible.

Recently, we lowered track one to three feet, at eight Seaboard points, to effect greater overhead clearances for TOFC equipment.

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Whatever the shipment, however it moves on our line, it is given the alert, interested attention of railroaders who appreciate business routed "S.A.L."

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facts and figures

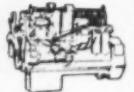
FROM THE

1960

ANNUAL REPORT



HIGHLIGHTS



Despite adverse business conditions, Continental Motors Corporation and consolidated subsidiaries, Gray Marine Motor Company and Wisconsin Motor Corporation, had net sales of \$138,094,193 in the year ended October 31, 1960, only slightly below the 1959 sales of \$139,946,152, and well above the level of each of the previous three years.

Reflecting intense competition in all markets and heavy development and start-up expenses on new models during the year, net income for the fiscal year 1960 amounted to \$1,417,759, compared with \$2,637,475 a year earlier.

Important reductions in costs are being effected through the installation of new, modern production machinery. Controls are being improved and accelerated with automated data-processing equipment for certain office procedures.

A cross-licensing agreement covering aircraft piston engines has been signed with Rolls-Royce Limited, of England.



Substantial progress was made in research and development, and a number of new products are close to production scheduling. These include the LDS-427 Hyper-cycle multi-fuel compression-ignition engine for 2½-ton military trucks, and a new compact inboard marine engine with an outboard propulsion assembly.

Branch and distributor-dealer organizations were strengthened during 1960, especially in the growingly important West Coast market. Training programs for distributors and dealers were expanded.

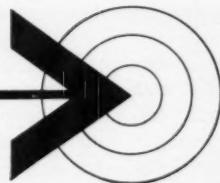
Foreign operations continued at a good level during the year. With a number of promising new models, expanded marketing activities and improved plant and equipment, Continental will push forward vigorously to increase its share of the market as general business begins to improve. Research and development projects currently under way will require substantial expenditures, but should lead to further growth in the years ahead.

STATISTICS

Fiscal Years Ended Oct. 31	1960	1959	1958	1957	1956
Engine output (horsepower)	10,743,003	12,129,875	10,231,837	10,549,655	10,783,043
Net sales	\$138,094,193	\$139,946,152	\$131,415,279	\$135,610,890	\$125,116,269
Net earnings	\$1,417,759	\$2,637,475	\$3,536,528	\$3,583,301	\$1,604,924
Net earnings per common share	\$0.43	\$0.80	\$1.07	\$1.09	\$0.49
Dividends per share	\$0.60	\$0.60	\$0.55	\$0.35	\$0.25
Current assets	\$56,700,008	\$59,657,338	\$56,101,397	\$64,454,365	\$59,262,735
Current liabilities	\$22,912,690	\$25,005,195	\$21,289,109	\$30,598,007	\$28,304,638
Net working capital	\$33,787,318	\$34,652,143	\$34,812,288	\$33,856,358	\$30,958,097
Ratio of current assets to current liabilities	2.5 to 1	2.4 to 1	2.6 to 1	2.1 to 1	2.1 to 1
Long-term debt	\$1,640,000	\$2,000,000	\$2,355,000	\$2,480,000	\$2,760,000
Property, plant, and equipment (net)	\$16,140,139	\$16,392,626	\$15,733,097	\$16,223,841	\$16,547,581
Stockholders' equity	\$49,374,586	\$49,936,827	\$49,279,352	\$47,557,824	\$45,129,523
Book value per common share	\$14.96	\$15.13	\$14.93	\$14.41	\$13.68

Continental Motors Corporation

MUSKEGON, MICHIGAN



Sales & Distribution

ONE of the nation's fastest-moving businesses—automatic vending, which has been growing four times as fast as industry in general—is currently in the throes of a major shakeout. Just as the automobile industry slimmed down from hundreds of mostly marginal producers to today's handful of companies, the makers and operators of vending machines are now going through the wringer.

The urge to merge and consolidate is apparently as irresistible as thirst on a warm spring day. Before the decade is over, chances are that today's 50-odd vending equipment makers will have thinned out to about ten.

Says Lloyd Rudd, president of Rudd-Melikian, Inc., a Hatboro, Pa., manufacturer of coffee vending machines that was started on two GI shoestrings at the end of World War II: "We realize that the shakeout is here, but we hope to end up as the American Motors of the industry." Rudd-Melikian's \$8 million sales rank

it No. 5 in the industry, right after Universal Match Company's National Vendors, Inc. The current big three: Vendo Corp., Hofmann Industries' Apco-Continental Division, and Automatic Canteen Company's Rowe Manufacturing Division.

In this fast-moving industry, one key to any company's future is how fast it can turn a new technological advance into a shiny new lure for the coin-in-hand consumer. Here, Rudd-Melikian is pushing hard. Credited with developing the first machine for fresh-brewing individual cups of coffee, Rudd now claims his company is out ahead in the race to market a ma-

chine that offers a ten-second, freshly cooked hot dinner, complete with choice of vegetables. The few machines that offer hot plates today have to start cooking them an hour or two before the customer comes along to make his selection—and any unbought meals are a total loss.

Aiming to expand their markets, manufacturers are doing their best to cut the cost of their machines. To support an up-to-date coffee machine (price \$1,700) now takes a captive group of 100 office or factory workers, each averaging a cup a day. Like other manufacturers, Rudd-Melikian hopes to put a \$1,300 price tag on



AN EXPERIMENTAL automatic drive-in in Kansas City, Mo., lures food shoppers, snack seekers.



DOLLAR BILL CHANGER speeds up snack-buying at this Howard Johnson test installation.

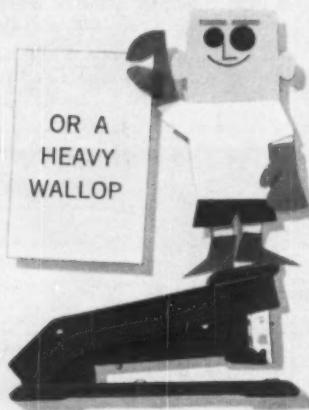
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its machines next year, step up its total sales.

Candy bar and cigarette machines in theatres, restaurants, bars, and transportation terminals—once the mainstay of the business—no longer bring in the biggest flow of coins. An estimated 60 per cent of vending's total \$2.3 billion volume now comes from in-plant feeding. And that's just a beginning. Industry experts see a potential market for three times the present number of coffee machines, ten times as many sandwich dispensers. And the most promising growth area of all—hot platters—is practically untouched.

Needed: financial muscle

To reach this new, fast-growing market, vending machine operators (the companies that install and service the machines) have found that something more than a good local reputation is needed. Technical changes in equipment are coming along faster than ever, and the latest thing in vending machines—soft-drink dispensers that drop ice into the cup, for example, or sandwich machines that offer many combinations of bread and fillings—is none too good for the demanding industrial customer.

But this can spell trouble for the small operator, who is hard-pressed for capital to put into these complex, higher-cost units. To add to the little fellow's woes, plant managements generally prefer to deal with a large, established organization that can provide the best in service and is free of the racketeering aura that has long clung to the coin-operated amusement machine business.

To meet these demands and to project an image of stability, the 5,000 local operators (including 3,500 one-man outfits) have begun in recent months to combine and link up into national networks. Two new major national companies, made up of local and regional operators, have appeared. Automatic Retailers of America, Inc., with headquarters in Los Angeles, is made up of fourteen regional operators who joined to form a nationwide network. Just starting up is United Servomation Corporation, St. Louis, an amalgam of ten local operators. Other local operators are attempting to set up regional operations. Under President Ralph Globus, Automatic Food Systems, Inc., of Baltimore is covering Philadelphia,

Camden, N.J., and Allentown, Pa.

While the operators' ranks are thinning out, vending manufacturers are themselves in the grip of change. The big operators favor manufacturers who can offer a full line, and currently only two of these—Rowe and Vendo—are prepared to fill the bill. Result: the others are scrambling to improve and broaden their lines.

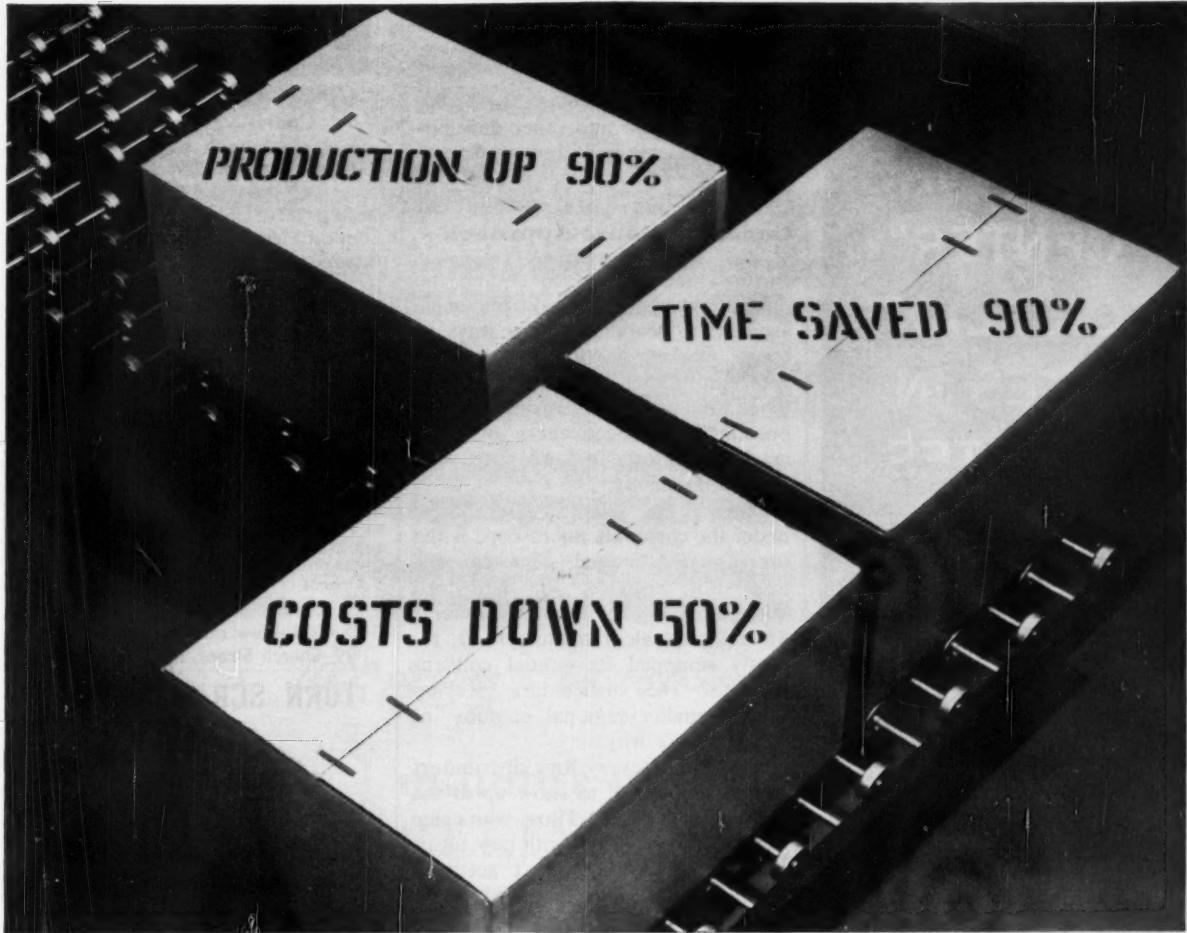
A few years ago Automatic Canteen Company, which began as an operator, bought out the biggest vending machine maker, Rowe Manufacturing Company. Now it makes plastic throwaway dishes, provides catering services to plants not converted to machine feeding, produces a bill-changer, runs its own finance house for getting the machines into operators' hands, and even provides background music to eat by. But at present Automatic Canteen is the only sizable company that rubs both sides of the coin—manufacturing and machine operation.

Established vending companies aren't the only ones boosting their stake in this market. Other companies have found it a promising field for diversification. For instance, Hofmann Industries, Sinking Springs, Pa. (\$7 million sales) last year acquired Continental Vending Machine Co. and Apco Inc. About the same time, U.S. Chemical Milling Co., Manhattan Beach, California (\$6 million sales) bought out Dariomatic Co., a producer of milk vending machines. Lionel Corp. is now producing a bill changer.

In with a bang

Universal Match Co., St. Louis, has plunged deeply into the market by acquiring National Rejectors Inc., top maker of coin testing devices, and National Vendors Inc., the leading producers of cigarette machines.

In the past few months Vendo Corp., Kansas City, Mo., the largest independent manufacturer, has opened a pilot installation (see photo) for around-the-clock vending of both snacks and groceries. To keep pace with turnpike traffic, the Howard Johnson chain is testing an automatic installation (complete with bill changer) near Elizabeth, N.J. Almost all major appliance makers have come up with coin-operated dry-cleaning machines. And the Policy-Matic Corporation of America, Atlanta, Ga. plans to install travel insurance vending machines in rail



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and bus terminals, gas stations, hotels, motels and other spots so as to offer land travellers the same sort of protection now available to those who go by air. These and other developments are behind the industry's prediction of \$4 billion sales in 1965.

UNCONVENTIONAL APPROACH

Business men's need to stretch the sales-expense dollar is stirring management to search out new ways to boost marketing efficiency. Along with cutting their costs, many executives are even more concerned with boosting the effectiveness of their marketing efforts to keep pace with plant productivity.

Among the sales functions now under the corporate microscope is the time-honored annual sales convention. For instance, the Crawford Door Company of Detroit, Mich., a \$6 million (sales) manufacturer, recently scrapped its annual convention for 165 distributors, set up twelve smaller regional confabs instead. Here's why:

One out of every four distributors had usually failed to show up at the national convention. Those who came often went away fired with new ideas, but somehow they didn't seem to have either the time or the ability to communicate their thoughts to their staffs on returning home.

DOWN TO GRASS ROOTS

Since a team of five from management and sales now goes to each of twelve regions, lower-level personnel from the distributor companies are able to attend. Total attendance has soared to nearly 600, and the sales story now filters down to where it can do the most good.

Says Warren G. Messer, Crawford Door's general sales manager: "When we had one big get-together, participation seemed to be limited to a relatively small number of articulate, extraverted distributors. The others took a back seat. But now, in their own region, among their own people, more of them get into the act."

The company admits that many distributors were only mildly interested in large portions of the convention programs. But now they have a common denominator, since the problems tend to be somewhat similar in each region. The company credits the new approach with a substantial sales increase in the Northwest. —T.K.

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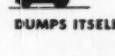
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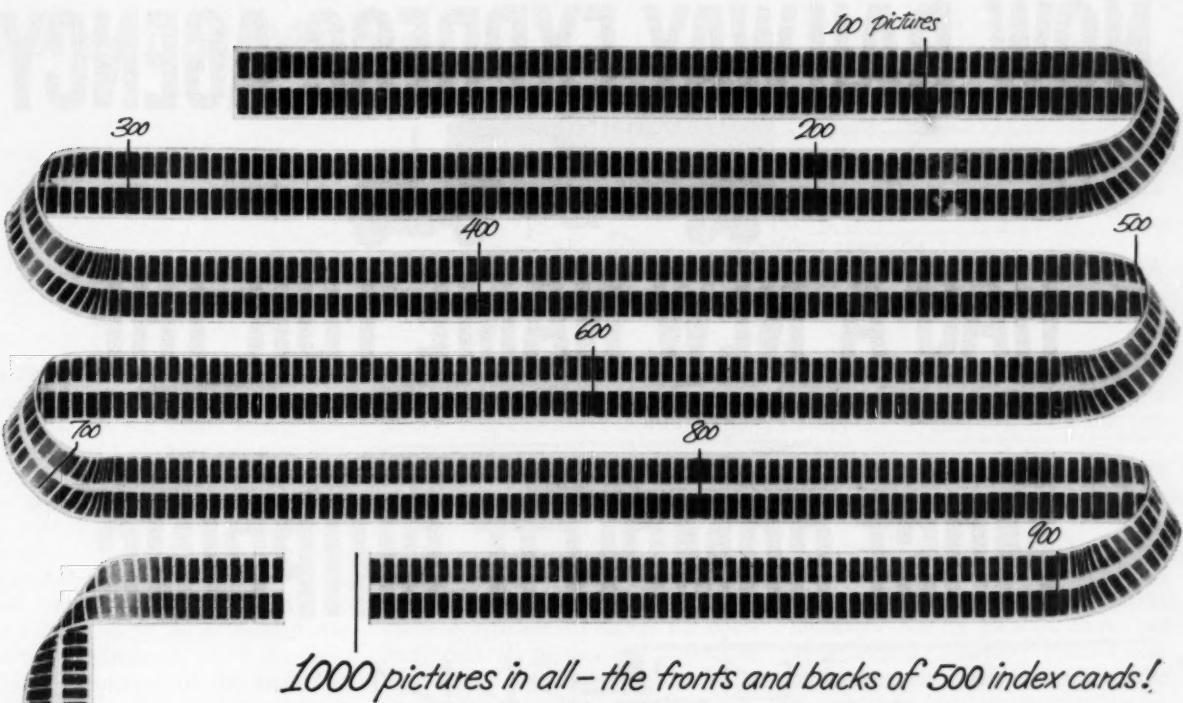


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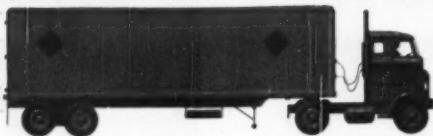
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Personal Memo

- ✓ *Business parties on a budget*
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Looking for something new in business entertaining? Try the executive breakfast. An old White House custom that has long been popular with small groups of business leaders, it is now spreading throughout the country. And the guest lists at good-will, executive, and press conference breakfasts are growing. In some cases, the numbers who gather to down their orange juice together run into the hundreds.

Main attraction of the breakfast party in an era of narrowing profit margins, is, of course, cost. At New York's Statler-Hilton Hotel, the price of the average large business breakfast runs to only \$3.50 a plate, as opposed to \$6 per head at a cocktail party, up to \$12 per plate for a luncheon with cocktails. In addition to simple bacon-and-egg meals, served at table, the Statler-Hilton also books a lot of breakfast buffets, where the tables are laden with melon, creamed finnan haddie, kippered herring, sausage, eggs, ham, hot breads, coffee, and tea.

Sunny side up

The novelty appeal of the menus is boosting the breakfast's popularity at the moment. Even in the largest cities, the similarity of business luncheons and dinners has jaded the executive palate. The Waldorf-Astoria in New York, where the banquet department alone sometimes feeds 6,000 early risers at a time, offers a champagne breakfast to cheer the spirit. Eggs benedict and truffles or lamb chops-and-steak grill come with the champagne.

And, for breakfasts, don't forget the regional specialties, which can range all the way from country sausage and pancakes to brook trout, creamed chicken livers, or—for the acclimated — Texas's chicken-fried steak. Brennan's, in New Orleans' French Quarter, a restaurant special-

izing exclusively in breakfasts, has an 18-inch, four-page menu, boasts that it can cook an omelet in 10,000 different ways.

Serving throughout the day, Brennan's also features "eye-openers," but for the company that plays host, the chance to cut its liquor bill is another point in favor of the breakfast party. Without liquor, the free-loaders who turn out in droves for company cocktail parties and luncheons have much less chance to partake in the dewy hours of the morning.

On the other hand, some members of the press complain when assigned to cover breakfast press conferences. Reporters on morning newspapers, whose hours run into the evening, don't like to start their day so early.

Fellowship falters

Some companies get around this objection by giving a "coffee break" at 10 or 10:30. This is cheaper, since hot breads, Danish pastry, and coffee are all that's expected. Unfortunately, the price tag shows—and if the party is a large one, the perils of navigating in a crowded room with a cup of hot liquid in hand may diminish the sense of fellowship aroused in the guests. But for smaller groups, if there's room to sit comfortably, it's another story—especially if the surroundings are such pleasant ones as a private club, the executive dining room, or the president's home.

For company executives and supervisors, moreover, the breakfast scheduled from 8:30 to 9:30 starts the day on a businesslike note. A policy change that's announced outside the office has a ring of importance that the internal conference lacks, and by informing the staff at breakfast, you don't have to fight the somnolence induced by a lavish lunch preceded by cocktails. The speeches are kept to a minimum, and once they're briefed and breakfasted,

staff members return to pass the word to their departments, with a minimum of time lost from the corporate day.

• • •

A shooting box in Scotland was the vogue a few years back for executives who wanted an unusual vacation hideaway. Not for pleasure alone, but as a boon to company officers who make frequent business trips to the British Isles, is the country house close to London. And for the corporation that is looking for a way to cut expense account costs without seeming niggardly, there's a decided fiscal advantage to these homes.

Even though real estate prices are rising, suburban and exurban property in Britain is about half what it is around U.S. metropolitan centers. The big estates in the rolling hills, on the other hand, bring close to three times U.S. prices, since Britons are willing to pay high for the privilege of hunting and fishing on their own land.

Typical recent offering, within driving distance of the City, was an Elizabethan-style manor house on five landscaped acres. The asking price was £15,500 (roughly \$40,000) though comparable property goes up to £35,000.

An investment that may well appreciate in value over the years, the average country house also offers five or more master bedrooms, staff quarters, at least four acres of park. In addition to being an impressive home at which British and Continental customers can be entertained, it is usually designed to allow several people of varying habits and tastes to live comfortably under the same roof.

Central heating, efficient plumbing, and modern kitchens are no longer rarities in the U.K. Neither, for that matter, are tennis and squash courts,

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At the warehouse, the superintendent pointed out that several different makes of hand trucks were used but added: "Let me show you something." Flipping the intercom, he called: "Bring me a hand pallet truck, Joe."

In a matter of minutes, Joe arrived . . . with a Raymond truck in tow. "Why this particular truck?" our prospect inquired.

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multiple-car garages, and guest cottages. The farther one gets into the countryside, of course, the more one can expect in the way of outdoor accoutrements—but then the additional expense of an executive flat in town looms large.

The flat without a country house on the side is always a possibility for companies with less ambitious ideas of an executive home away from home. About £14,000 is the asking price for a 55-year lease on a typically well-located, well-appointed London apartment, with three master bedrooms, two reception rooms, and "Hollywood" baths.

If you want to buy one, look for country homes in the good solid English magazines. *Country Life*, for example, carries page after page of agents' advertisements, with pictures.

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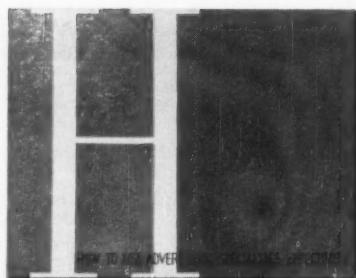
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How do you reward the girl in the office who worked late to get out a vital report? As trite as it sounds, there's one good way. "It's a sincere thank you," say the secretaries, and "You'd be surprised at how often we don't get it."

Not that she will turn up her nose if there's a small bonus included in her next paycheck. This, says the National Secretaries Association, is one of the most appreciated ways of saying thanks. The right amount? \$50 if the job is a really major one, involving several days of pressure to meet a deadline, as well as weekend and evening work. For lesser projects, straight pay, time-and-a-half, or a cumulative year-end bonus does nicely.

Time off is another favorite of those competent secretaries who are so used to being there always—particularly if they can choose their days or save them to pad out vacations.

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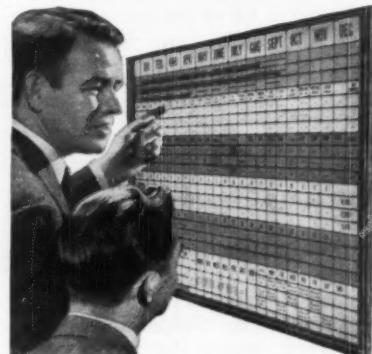
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Canadian executives seem to have a good press among secretaries. One girl reports her nicest "bonus" was a rare plant from a Canadian who, while dictating letters on a visit to the home office, had discovered horticulture was her hobby. And the Canadian girl who won a trip to the U.S. last year in Remington Rand's international secretaries' contest left a glowing image of her boss: For a few days after a round of heavy-pressure work, he suggests that she get the important jobs out of the way, leave with a light heart as soon as they're done.

After a trip abroad, the executive who brings back a souvenir for a hard-working secretary gets high rating. French perfume is an easy out, but more distinctive presents, chosen with an eye for the girl's own interests, are preferred. Anything to wear is always risky, though if you've noted the width of the hand that types your memos, a pair of good leather gloves is a safe gift. Top choice—because it's "pretty" and likely to show its foreign origin at a glance: a vase. From the high-priced executive secretary who has been with the firm for years to the newest typist in the pool, the best reward is always "some recognition that you're a human being."

• • •

Worth noting: For a quick lunch at your desk, Mead Johnson & Company suggests Nutrament—a one-can liquid meal that offers its proteins, carbohydrates, vitamins, minerals, and 400 calories flavored with either vanilla or chocolate (price: under 50 cents). . . . For a spot of waist-slimming, in the privacy of your office, try Picas, the new exerciser that looks like two ski poles joined at the base. . . . Two travelers' aids come from Byrd Plastics, 12th and Byrd Drive, Erie, Pa.—a pocket guide that computes from 1 cent to \$300 in exchange values of U.S. money and fifteen foreign currencies, and from each foreign currency to the other; and a pocket language translator giving 145 practical phrases in German, French, Italian, Spanish, or Swedish, complete with pronunciation and the English equivalent. —P.H.D.

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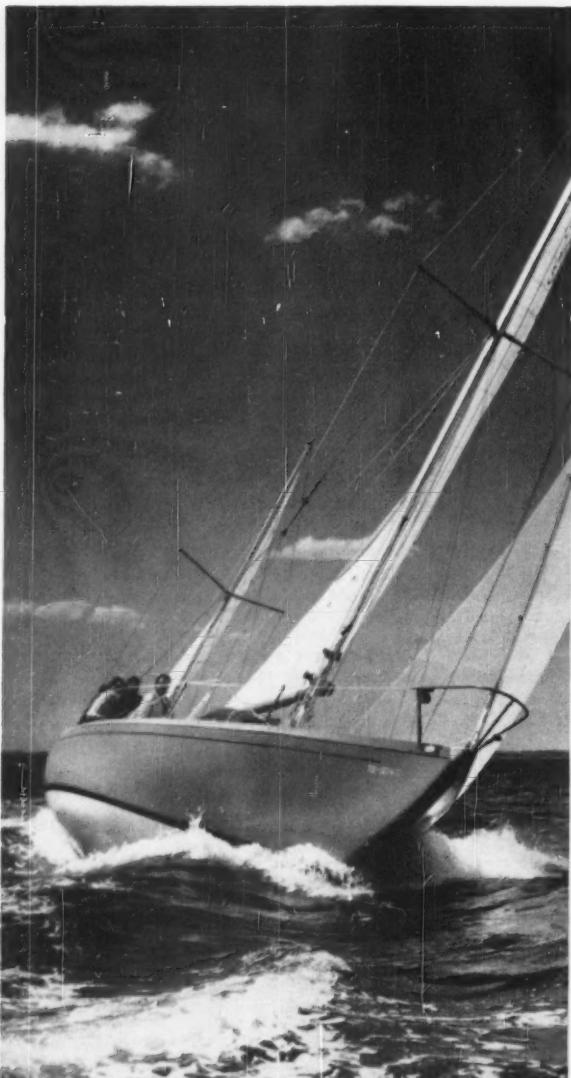


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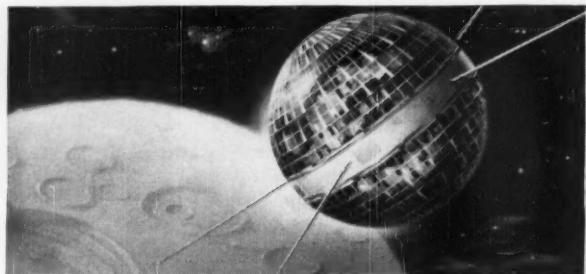
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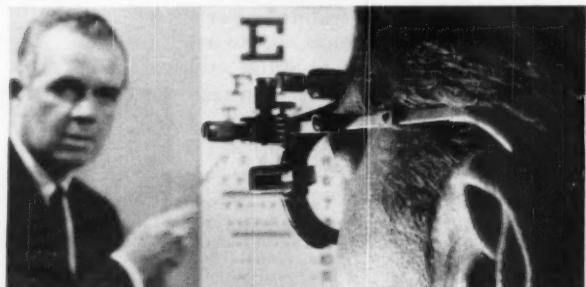
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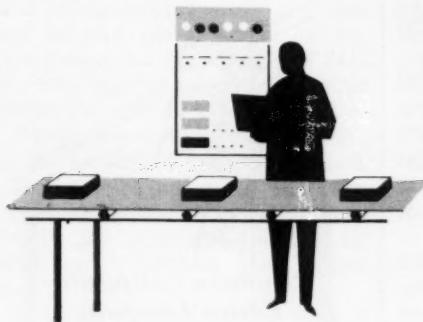
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DUN'S REVIEW and Modern Industry



Inside Industry

- ▶ Remember the engineering shortage of the mid-1950's? There's another in the making.
- ▶ There's little industry can do to prevent it—but there are ways to blunt its impact on your company.

IN NO TIME at all, industry is going to be hobbled by another severe shortage of engineers—and it is doing little to cut the inevitable effects.

Few business men, in fact, are even aware of the fast-approaching crisis. "Industry appears to be pretty unintelligent about it," says Dr. Howard Meyerhoff, executive secretary of the Scientific Manpower Commission. He is backed up by another expert, Dr. Sydney B. Ingram, chairman of the Engineering Manpower Commission.

All companies won't be hit equally hard by the shortage. "We're not having any trouble hiring all the engineers we need, and we don't expect any problems in the future," says the Martin Company's Albert C. Hall, vice-president for engineering. Hall concedes that his company's glamorous products—missiles and satellites—are the explanation. Less fortunate are manufacturers of such products as cranes, trains, and kitchen sinks.

The reason for the approaching dearth of qualified engineers is obvious when you glance at the table (right). The percentage of freshmen entering engineering colleges has dropped sharply in the past three years. Even if a business recovery should spark a miraculous reversal of the trend this September, the upturn in enrollments wouldn't have much effect for four or five years—the time it takes a student to graduate from engineering school with a bachelor's or master's degree.

In the meanwhile, the inexorable progress of technology—and the scientific prowess of the Russians—are creating new and more complicated jobs for engineers.

The recession and the slack it produced in the engineering market are behind industry's current shortsightedness. Yet the fact that there

are plenty of engineers for hire at the moment doesn't conceal the obvious clues to a new shortage which could easily rival the musical-chairs scramble of the mid-1950's.

The warning signs

- Right now, industry is having a hard time filling jobs in many technical specialties. Says President Leo A. Weiss, of Avien, Inc.: "We are having no trouble at all hiring warm bodies. But we're moving heaven and earth to find that rare talent we need so desperately."
- Recessions or not, salaries offered new engineers in shrunken graduating classes are still climbing, though not so fast as in recent years.

Genesis of the current calm-before-the-storm goes back to 1957. In the midst of a flood of ballyhoo about the Great Engineering Shortage, the Government suddenly cancelled billions of dollars' worth of defense contracts. In turn, the defense contractors laid off tens of thousands of engi-

neers. Nearly all were rapidly rehired, particularly after Sputnik, but the newspapers naturally gave "the end of the engineering shortage" a big play.

Non-defense industry wasn't any more far-sighted. To keep up earnings during the 1957-'58 recession, many companies laid off engineers and technical people. In the oil industry, for example, Gulf led the parade by suddenly firing 60 field exploratory engineers in one region alone. The industry still hasn't got over its bad press among technical men for this hasty heave-ho. They claim that Gulf could have followed the example of Standard Oil of California and found related technical jobs.

Feedback of these widely publicized mass firings on engineering enrollments was immediate. After climbing steadily throughout the decade, engineering freshman enrollment suddenly reversed field. "Industry will pay the piper in sharply reduced numbers of engineering graduates in 1961, '62, and '63," says Carl Frey, executive secretary of the Engineering Manpower Commission.

Another by-product of the mass firings: a swelling of the ranks of what one chief engineer calls "the chronic malcontents"—those temperamental engineers, or one-time C-minus students, who are constantly writing letters to technical journals complaining that there is a surplus of engineers—because nobody wants to pay \$15,000 a year for their dated talents."

There's little that industry can do as a whole to cut down on the shortage that's due within the next three or four years. But there's plenty of action possible for the company that wants to keep the enrollment slump from stretching on indefinitely.

Both Meyerhoff and Ingram urge

The Shape of Future Shortage

Year	Total engineering students in freshman classes	Percentage of engineering students among all freshmen
1950	34,300	6.6%
1951	39,600	8.4
1952	51,600	9.6
1953	60,500	10.6
1954	65,500	10.2
1955	72,800	10.8
1956	77,700	10.7
1957	78,800	10.8
1958	70,000	9.0
1959	67,700	8.2
1960	67,600	7.3
1961	70,000 (estimate)	7.1

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more attention to motivating high-school students to enter engineering. As Meyerhoff puts it: "There are scores of companies donating scholarships to engineering schools—but they only affect kids who've already made up their minds to go into engineering. Hardly any manufacturers do anything where it really counts—at the high-school level."

Martin, one of the few companies out to interest high-school students, recently had engineers at its Denver Division conducting a sixteen-session, eight-week evening course for local high school and elementary school teachers on special space age technical problems.

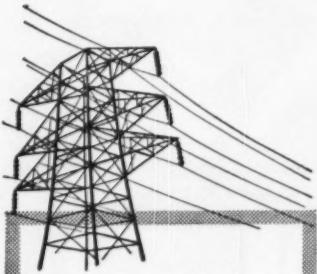
Today, engineering's shrinking prestige when compared to "science," the new glamour profession, is another sore point. Industry, urges Ingram, should raise engineering's status. "Company presidents blow up every advance into a 'scientific breakthrough.' Yet nearly all these innovations are really high-class engineering, and that's what they should be called."

A call for realism

With all the drum-beating for "science," a lot of youngsters who might have gone into engineering take up science courses in liberal arts colleges. Ingram contends that unless they are prepared to go straight on to the doctorate—which only a few actually achieve—they will never go so far in the scientific community as they could in engineering with only a B.S. or M.S.

A surplus of self-styled "engineers" is another reason why the title carries less weight with the public. In pungent terms, one chief engineer describes the situation: "Professionally-trained engineers don't have any copyright on the name. Anybody can call himself an engineer these days and get away with it. The guy who repairs septic tanks is a 'sanitation engineer.' The foreman of a moving van crew is a 'transportation engineer.' The designers who lay out offices are now 'space engineers.' And then there are all those locomotive drivers and boiler stokers who call themselves 'engineers.'"

How can industry gird for the coming shortage? First, to beat off personnel pirates, the company that wants to hang on to its engineering staff will have to take precautions. "Salaries must be competitive," says Avien's Weiss. "I don't believe all these surveys that report money takes second



Southern California Edison Company

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The Board of Directors has authorized the payment of the following quarterly dividends:

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65 cents per share;

PREFERENCE STOCK,
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Dividend No. 56
28 cents per share;

PREFERENCE STOCK,
4.56% CONVERTIBLE SERIES
Dividend No. 52
28½ cents per share.

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P. C. HALE, Treasurer

March 16, 1961



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place to 'challenging work,' etc. That may be what the engineers tell the interviewers, but that's not how they act. You have to meet or beat your competitor's offer."

"Autonomy" is what engineers look for, thinks Van M. Evans of Deutsch & Shea, Inc. "You have to give them a certain amount of freedom, responsibility, and professional status, or they'll go somewhere else to get them."

Relieving them of routine work is another way to keep the engineers contented—and make the best use of their talents. One recommendation: turning over more routine design work to computers.

There's not much hope of going far on another recommendation: hiring more technicians to do low-level tasks now assigned to engineers. The shortage of technicians will soon be just as acute as that of engineers. Right now, two-year vocational colleges are turning out only 15,000 engineering technicians a year, fewer than one for every two engineers graduated. "This phase of the shortage will get worse before it gets better," predicts Ingram.

Machines in the job

President Henry M. Blackstone of Servo Corp. of America offers one solution to the shortage of technicians. He says there are plenty of automatic plotting and recording instruments available to industry. They do the work of a technician who now watches tests for hours on end.

Certain types of engineers will be even more in demand than others in the coming general shortage, and companies that encourage their engineers to bone up on the latest technologies and take in engineering conventions and seminars will have an easier time of it. When the need for some new specialty arises, it will be less traumatic, as a result, for some present staff member to take charge.

But if the new specialty is so new that no one on the staff can take over, the company will go into the engineer market to fill the slot. Richard Smyth of Smyth & Murphy Associates urges chief engineers not to write such tight specs for these "odd jewels." Says Smyth: "Companies that look instead for adaptable engineers who can fill the bill after a little retraining will have less trouble finding them, and spend less doing it."

Another essential during the coming shortage: more efficient recruit-

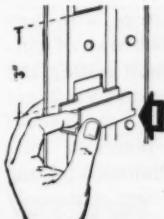
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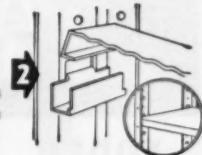
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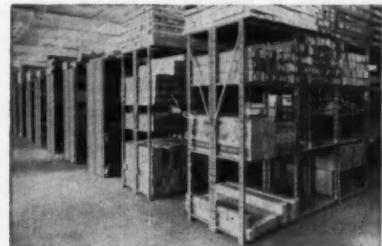
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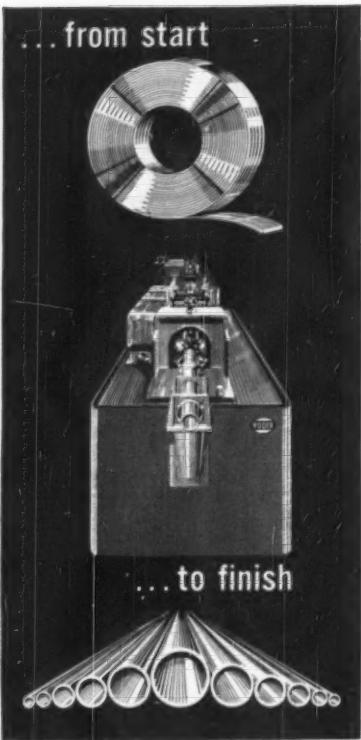
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ing. ("Managing Your Manpower," DUN'S REVIEW, March). Warn the experts:

- Don't rely solely on advertising for technical recruiting—even though, as Deutsch & Shea note, "Putting all your recruiting budget into advertising is easier than the hard work of making personal contacts at colleges, trade shows, and technical conventions." But, says Evans, ads are also less effective.

- Use your engineers to hire new engineers. Northrop Corp. plumps for "internal referral" in hiring technical men. Industrial relations director John B. Clark says Northrop started offering \$100 bonuses to employees who brought in new engineers when it found that advertising alone "was very costly and was not producing." To date, it has paid out over \$22,000 in bonuses.

- "Expanding into areas with lots of technical talent is our way of cutting recruiting costs and getting the engineers we need," reports President Royden C. Sanders, Jr. of Sanders Associates, Inc. New plants in Burlington, Mass., and Plainview, Long Island, rack up recruiting costs only a third as high as those at the main plant in Nashua, N.H. Moving expenses averaging well over \$1,000 have to be paid for nearly every engineer hired for work at the New Hampshire plant, where there is little local talent available.

No bed of roses

One more dark spot in the picture lies in the poor prospects for any big propaganda drive to boost engineering enrollments—even if industry decides to back one. Engineering school is tough on students, and they know it.

After they graduate, engineers also have to put in plenty of homework to keep up with their profession. Comments Ingram: "Becoming and remaining a good engineer is no life of ease, and this can scare away many talented youngsters brought up in our present way of life."

He continues: "I'm worried not just about industry's future needs for engineers, but the nation's as well. If we don't graduate enough engineers, the United States could lose its present world technical leadership to the Russians. Each year they graduate three times as many engineers as we do—and they are fully qualified, too."

—M.M.

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	1960	1955
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GROSS INCOME	\$ 216 549 607	\$ 145 235 738
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NET INCOME:

Net income before interest and discount charges	\$ 126 264 151	\$ 79 119 292
Interest and discount charges	71 868 626	24 922 052
Net income from current operations, before taxes	\$ 54 395 525	\$ 54 197 240
United States and Canadian income taxes	25 524 179	28 012 310
Net income credited to earned surplus	\$ 28 871 346	\$ 26 184 930
Net income per share on common stock	\$ 5 66	\$ 5 22
Common shares outstanding at end of period	5 100 329	5 015 516

RESERVES:

Reserve for losses on receivables	\$ 22 777 051	\$ 16 385 073
Unearned income on instalment receivables	115 503 148	63 488 898
Unearned premiums—Insurance Companies	34 352 457	37 647 870
Available for credit to future operations	\$ 172 632 656	\$ 117 521 841

Operations shown separately are, briefly:

FINANCE COMPANIES:

Gross Receivables acquired	\$4 287 919 187	\$3 677 241 749
Receivables outstanding December 31		
Automobile retail and wholesale	\$ 902 464 966	\$ 904 105 274
Mobile home, appliance and other retail and wholesale	213 530 153	136 917 238
Farm equipment retail and wholesale	250 734 096	
Factoring	163 280 198	71 571 058
Business Loans—accounts receivable	106 264 501	69 701 102
Fleet Leasing	47 005 211	
Industrial equipment	58 915 430	9 606 561
Personal or direct loan	158 863 082	51 186 065
	\$1 901 057 637	\$1 243 087 298
Sundry (principally unclassified items)	6 002 646	4 458 537
Total	\$1 907 060 283	\$1 247 545 835
Net income of Finance Companies	\$ 16 704 890	\$ 15 628 251

INSURANCE COMPANIES:

Written premiums, prior to reinsurance	\$ 40 857 351	\$ 47 056 317
Earned premiums	38 581 860	38 663 845
Net income (including Cavalier Life Insurance Co.)	9 788 774	5 877 336

MANUFACTURING COMPANIES:

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Net income	2 377 682	4 679 343

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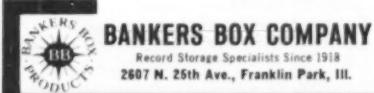
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At a point at which many cars are ready for the second-hand lot, a CHECKER is just coming into its own. This all but indestructible car is built to last. And last. While mileage is amazingly high—150,000, or even 200,000 miles—maintenance and repair costs are gratifyingly low. Little wonder a CHECKER is the most practical fleet and executive car on the road.

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The Reviewing Stand

Tribute to a Newsman

Our March issue, page 129, carried a brief reference to the death in Washington, D. C., of Paul Wooton, a DUN'S REVIEW contributing editor. Paul Wooton died on the job at the age of 79, as he was completing a reporting assignment. Paul was a dedicated newsman, prominent in his profession and honored by his fellow writers. Six Presidents of the United States had known him by his first name, and there was no more touching nor dramatic evidence of his standing at the White House than at the recent dinner tendered by the White House correspondents to President Kennedy. When the lights dimmed in the vast dining room of the Park Sheraton, where 1,500 writers and prominent guests were assembled, the chairman called for a toast "to the President of the United States." When the toast was drunk, President Kennedy rose and said, "Thank you, gentlemen, but with your permission, I would like to share this honor." And with glass upheld, he added, "To the memory of our friend, Paul Wooton." The approval of the audience was spontaneous and heartfelt.

A Fruitful Encounter

It is easier to dislike the man you don't know than the competitor you meet across the conference table. The DUN'S REVIEW round tables on transportation, plant location, factory design, and office management and equipment often bring together men who have crossed swords and words in the press, and over the airwaves.

When men of candor get together, there is bound to be mutual respect. One railroad executive at a Chicago conference, who began by shaking his

fist at a truckline operator, wound up the day shaking his hand.

At our Washington conference on transportation in February, every facet of keel, wheel, and wing was represented by carrier, shipper, Government agency, and trade association. Many ideas were poured into the press, fermented, and clarified, and every man took away a little more than he brought in.

Incidentally, the fruits of this transportation conference will be a prominent part of our June issue.

Of Words and Waste

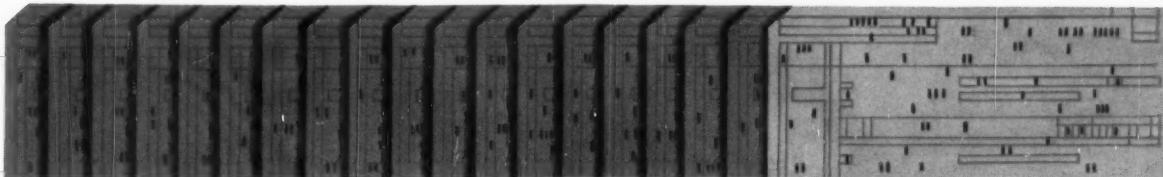
As they consider brand image, quality controls, life-time guarantees, planned obsolescence, and the economy of waste, industrial marketers ought to realize that they are confronted by semantic problems. When any such terms are the subject of discussion, they need to be defined and pinned down.

Not every customer desires a Rolls-Royce with its indefatigable performance and infallible mechanism. Perfection can be a bore, as many a good public official has learned when the fickle citizens voted him out of office. However, we have equal reason to question the propriety of a built-in time limit on any product.

Utility and economy play roles as important as style psychology in winning market acceptance, although the relative importance varies by line and product. Certain items are made for quick disposal. A paper bag serves its purpose well with a single use, and there is no need for longevity beyond the day. However, pride of craftsmanship and quality control are still inherent in most of the products we make, especially those with a name imprinted or label attached. —A.M.S.

a DATA-PHONE case history

Biggest DATA-PHONE system



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A midwestern insurance company sets a dramatic example for users of data-processing equipment

The Hardware Mutuals - Sentry Life insurance group is using a new data-communications system to speed data handling by 500 per cent and reduce operating costs by over a million dollars a year.

The new system makes use of the nationwide Long Distance telephone network. It combines the Bell System's new Data-Phone service with data processing equipment to send business records from 32 branches to the company's centralized computer center at Stevens Point, Wisconsin.

Machines "talk" to machines

All kinds of daily operating data, from widely scattered points, are handled efficiently and accurately at speeds up to 200 words per minute. The data is keyed into punch cards.

A Data-Phone unit is connected to business machines at both the sending and receiving locations. A phone call is put through—and the machines immediately start "talking" data. It's that simple.

The system is as flexible as the telephone network itself. The insurance company pays for telephone circuits only when using them, as for any branch-to-headquarters call. And Data-Phone takes up little more space than a standard typewriter.

• • •

Learn how high-speed, low-cost Data-Phone service can streamline your company's data processing. Just call your Bell Telephone Business Office and ask for a Communications Consultant. He'll bring you the complete story.



**James P. Jacobs, President,
Hardware Mutuals - Sentry Life
insurance group, says:**

"Our new data-processing technique—with the rapid communication of data made possible by Data-Phone—is benefiting our business in many important ways.

"It lets us collect the mass of information we need for management decisions almost instantly. It has cut the time needed for certain policy-handling functions from three days to three minutes. It is reducing our operating costs by over \$1,000,000 a year and is helping us give our policyholders better service than ever before.

"Naturally, we're enthusiastic about it."

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